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For ex-regulator Joseph Yam, danger is in overregulation

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Hatoyama eyes the postal savings punch bowl

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THE WALL STREET JOURNAL.

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Thai premier meets leaders of antigovernment protests

Associated Press

Prime Minister Abhisit Vejjajiva, second right, and other government officials shake hands with opposition 'red shirt' leaders in Bangkok on Sunday, but the sides remained split on the protesters' demand for new elections. Talks are scheduled to resume Monday. **Page 3.**

Geely gains global name in Volvo deal

By Matthew Dolan And Norihiko Shirouzu

China's **Zhejiang Geely Holding Group** Co. bought Volvo cars from **Ford Motor** Co. on Sunday for $1.8 billion, a landmark agreement designed to elevate the Chinese company's profile onto the global automotive stage.

Geely's acquisition of Volvo offers the latest illustration of how China's economic rise is reshaping large swaths of global business, as its huge market and increasingly powerful companies play a growing role in industries from cars to natural resources to telecommunications equipment. The Volvo deal, which comes after China surpassed the U.S. last year as the biggest auto market, puts a Chinese company for the first time in charge of a major global car brand.

"I think Volvo is a Tiger," said Li Shufu, chairman of Geely, who confirmed that Geely will build a Volvo plant in China. "To liberate the tiger we need to think on how to uncover the value in Volvo."

The sale also marks the latest milestone for Ford Chief Executive Alan Mulally, who has pushed the Dearborn, Mich., auto maker to shed noncore brands in an effort to return Ford to sustainable profitability.

Under the deal, Ford will get $1.6 billion in cash and a $200 million note from Geely. Ford, however, will still be obligated to cover some preexisting pension plans and other debt, according to Ford Chief Financial Officer Lewis Booth. The companies didn't detail the timeline for the transition period.

"We think it's a fair price for a good business," Mr. Booth said at a Sunday press conference at Volvo's headquarters in Gothenburg, Sweden.

Ford must use about half of its sale proceeds to help pay down the $23.5 billion in debt the company secured in 2006, but Mr. Booth said it was still unclear what the total proceeds of the sale would be until the transfer is complete.

The purchase agreement still needs government approvals, followed by an official transfer of the Sweden-based company before the end

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Managing in Asia

Vikas Agnihotri, CEO of Religare Macquarie Private Wealth, keeps his sights on India's new high net-worth individuals.
Page 40

China to vet acquisitions for its national security

By Andrew Batson

BEIJING—China is moving forward with a new system to vet foreign acquisitions of local companies for national-security concerns, officials and lawyers say, as tensions grow with international businesses that feel increasingly unwelcome in a fast-growing market.

Beijing's plan to establish a formal process for reviewing national-security issues around merger deals has been known since 2008, when new antitrust legislation providing for it came into effect. But the government never followed up with details implementing such a process.

In recent weeks, top officials have indicated that the government plans to complete setting up a formal review process this year, although no date has been announced for the system to take effect. Premier Wen Jiabao, in his annual work report this month, said the government aims to "quickly establish a security-review system for mergers and acquisitions involving foreign investment."

While government officials can express security concerns now, the addition of another type of government review could make it harder for foreign companies to invest in Chinese companies.

"The definition of national security is bound to be somewhat broader than what people think of as national security in the U.S.—it's going to be economic security and economic development and stability," said Peter Wang, a partner with law firm Jones Day in Shanghai. The planned review system is "not unexpected, and it's not necessarily unreasonable, but it's certainly not making things any easier."

Mr. Wen emphasized that China still wants to attract foreign investment and said the government will "encourage the use of foreign investment for restructuring, upgrading, merging and

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PAGE TWO

What's News—

* * *

Business & Finance

■ **Sinopec agreed to purchase** deep-water oil assets in Angola, buying a 55% stake in Sonangol Sinopec International for $2.46 billion. The acquisition from China Petrochemical, Sinopec's parent, marks its first acquisition of overseas upstream assets. **26**

■ **China Construction Bank** reported a 15% increase in 2009 net profit and said it plans to slow loan growth. **27**

■ **An unusual public feud** has broken out between top Japanese officials over how far to go in reversing the landmark privatization of the sprawling postal system. **7**

■ **AT&T and 3M joined a group** of companies that plan to take charges because of the U.S. health-care overhaul. **28**

■ **TSMC is seeking approval** from Taiwan to take a 10% stake in a Chinese rival as part of a legal settlement. **27**

■ **Germany's conditions** for any aid for Greece, which other euro-zone nations were forced to swallow, signal a broader division that threatens to hamper Europe's ambitions as a global power. **9**

■ **The decision** to include the IMF in any Greek rescue plan extends the fund's influence to a large swath of the world economy. **9**

■ **The deal on a safety net** for Greece helped to calm investors' worst fears, but the euro's woes aren't over. **33**

■ **The East China Mineral** Exploration and Development Bureau signed a preliminary deal to buy a Brazilian iron-ore miner for $1.2 billion. **29**

■ **China will introduce** its stock-index futures on April 16, ending years of preparations for derivatives designed for risk-hedging but also seen as vulnerable to speculative forces. **30**

■ **China's banking regulator** banned new property loans to 78 companies owned by the central government in an effort to control risks in property credit and curb asset bubbles. **30**

■ **Profits at China's** major industrial enterprises more than doubled in the first two months of the year, as profitability returned to pre-crisis levels. **8**

Agence France-Presse/Getty Images

Samoa came from behind to beat New Zealand 24-21 and win the Hong Kong Sevens rugby tournament on Sunday, taking the lead in the IRB Sevens World Series with two tournaments left in the season. Above, Samoa's Mikaele Pesamino, left, and Paul Chan Tung celebrate with the trophy.

■ **Refining giant Sinopec** acknowledged links to a multination U.S. probe into improper payments made by Daimler. **8**

■ **Prudential PLC** would have much more flexibility to sell off its U.K. operations if shareholders approve a deal to acquire the main Asian insurance arm of AIG. **30**

■ **Two ex-Lehman bankers** now working at Nomura have been named co-heads of the Japanese firm's equities business for Europe, the Mideast and Africa. **30**

■ **Standard Chartered** is beefing up its equities business with plans to double its research team and grow in India and South Korea. **31**

■ **EBay will begin flash sales** of high-end fashions on its site as part of a bid to revive its online marketplace. **29**

■ **Baosteel said it supports** the system of pricing iron ore once a year but acknowledged that the format could be altered. **28**

■ **China Resources Land's** net profit more than doubled last year after Beijing's measures to boost the property market. **29**

* * *

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■ **Obama made** an unannounced trip to Afghanistan, where he rallied U.S. troops. He also met with President Karzai, delivering a personal message that corruption and narco-trafficking could no longer be tolerated. **10**

■ **Thai Premier Abhisit** negotiated with opposition "red shirt" leaders on live television, though they remain divided on the protesters' demand for elections. **3**

■ **South Korean rescuers** couldn't locate any of the 46 sailors missing after a patrol boat exploded and sank near the sea border with North Korea. **4**

■ **A Chinese dissident lawyer**, Gao Zhisheng, missing for more than a year, has resurfaced in northern China in a place known for Buddhist pilgrimages. **4**

■ **At least 123 miners** remained trapped after underground water gushed into a coal mine in Shanxi province in northern China.

■ **Ayad Allawi said** he was hopeful Iraq's Kurdish and Shiite parties would join his secular Iraqiya bloc in a new government. **10**

■ **Philippine troops captured** a jungle camp of the Abu Sayyaf extremist group and may have killed several militants, officials said.

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WORLD NEWS

Thai premier meets protest leaders

In surprise negotiations put on live television, the two sides show no sign of ending their bitter confrontation

By James Hookway

BANGKOK—Thailand's Prime Minister Abhisit Vejjajiva negotiated with opposition 'red shirt' leaders on live television Sunday—a startling development that followed another large antigovernment rally in the Thai capital over the weekend—but the two sides remain divided on the protesters' demand for fresh elections.

The talks, which resume Monday, are aimed at resolving a political dispute that pits Mr. Abhisit against tens of thousands of protesters who say Thailand's army and judiciary conspired to put him in power in late 2008 at the expense of a government supporting the country's ousted populist leader, Thaksin Shinawatra.

The protests are now in their third week. After spilling blood in ritual sacrifices and then spreading out across Bangkok in a vast convoy, the demonstrators on Saturday succeeded in forcing army personnel tasked with providing security to withdraw from the area surrounding the main protest site in the city's old town.

And on Sunday, protest leaders got a face-to-face public session with Mr. Abhisit, who previously had refused to meet directly. The broadcast negotiation was unusual in a country where political tussles often are resolved away from the public eye.

During the broadcast, one of the main protest leaders, Veera Muksikapong, told Mr. Abhisit their demand is "simple and direct: Dissolve Parliament for the people to decide again."

While the protests so far have been peaceful, the threat of violence has increased in recent days.

Mr. Abhisit, an Oxford-educated economist, responded that calling fresh elections immediately wouldn't cure Thailand's far-reaching political divides. "I have to make a decision based on a consensus from the entire country, including the red shirts," Mr. Abhisit said. "Will dissolution really solve the problem?"

The crisis revolves around the role of Mr. Thaksin, a former telecommunications magnate who used populist policies such as low-cost health care and easy credit to build a powerful grassroots support base in Thailand's poor but vote-rich rural heartlands. Mr. Thaksin or his supporters have won every election in Thailand since late 2000, and Mr. Thaksin was the only Thai leader to have been re-elected before he was removed from power by a military coup in September 2006. He remains wildly popular in Thailand's north and northeast.

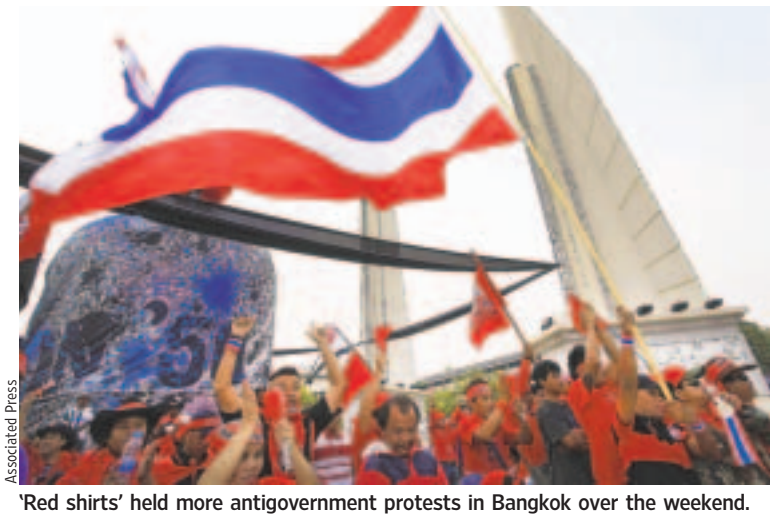
The army, ardent royalists and middle-class activists regard Mr. Thaksin as a divisive populist who circumvented Thailand's system of democratic checks and balances to expand his power and business interests. He is now living in Dubai to avoid imprisonment on a corruption conviction.

Many of the protesters, immediately recognizable by their red clothing and formally known as the United Front for Democracy Against Dictatorship, say their marches are more about a return of democracy than bringing Mr. Thaksin back to power. However, Mr. Thaksin has been regularly addressing the rally at night by video-links and his image can be seen on T-shirts, posters and face-masks at the main protest site. At their peak, the protests attracted as many as 150,000 people, and on Saturday police estimate that more than 60,000 people participated.

While the protests so far have been peaceful, the threat of violence has increased in recent days. Some analysts suggest Mr. Abhisit agreed to direct, televised talks as the protest leaders demanded they be granted a symbolic victory that would enable them to leave Bangkok with their heads high.

Several grenades have hit government targets since the protests began, though authorities say there is no evidence that demonstrators were behind the blasts.

On Sunday prior to the negotiating session, demonstrators threatened to invade the army base Mr. Abhisit has been using as government headquarters if he refused to meet them face-to-face. One of Mr. Abhisit's aides said in a televised statement that the prime minister agreed to begin talks with the protest leaders in the afternoon to forestall the threat of any clashes.



Associated Press

'Red shirts' held more antigovernment protests in Bangkok over the weekend.

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WORLD NEWS: ASIA

Search continues for Korean sailors

No more survivors found from patrol boat that sank near border with North Korea; 46 missing and feared dead

By Evan Ramstad

Reuters

South Korean Marines on Sunday move to search for survivors from the naval ship Cheonan that exploded and sank on Friday, at the island of Baengnyeong.

SEOUL—South Korean naval and civilian rescue teams worked in cold, rough waters for a second day Sunday, but again found no more survivors from a patrol boat that sank after an explosion in the Yellow Sea near the maritime border with North Korea.

Rescue boats saved 58 sailors in the hours immediately after the explosion Friday night, but 46 others are missing and the likelihood of survival appears slim.

The cause of the explosion, which happened in the stern of the ship, hasn't been determined. Because the ship was near the maritime border, officials are considering the possibility that North Korea was involved.

South Korea's defense ministry said the military was on alert, but there were no major changes in posture, a sign that civilian and military leaders didn't believe the country had been attacked.

President Lee Myung-bak met with national security advisers again Sunday to discuss the rescue and investigation into the sinking of the patrol boat. A spokesman for Mr. Lee said it was too early to know what caused the explosion.

The vessel broke in two, defense officials reported, and a portion of its hull remained above the surface in a capsized position. Because of difficult water and weather conditions, as of Sunday afternoon divers hadn't been able to get close enough to the stern of the sunken vessel.

The incident is likely to rank as one of the worst for the South Korean Navy since the Korean War of the 1950s. In 1974, 159 sailors died when a ship sank in stormy weather. In 1967, North Korea shot and sank a South Korean vessel, killing 39 of 79 crew members.

The ship, called Cheonan, was in relatively shallow water 1.8 two kilometers from the west-southwest shore of Baengnyeong Island, South Korea's western-most territory in the Yellow Sea.

The military took relatives of the missing sailors to the island and some boarded a ship to sail near the sunken Cheonan. On Saturday, some relatives scuffled with military police at a naval base and complained that officials were too slow in explaining what happened.

While there was no immediate indication of North Korean involvement, the maritime border about 10 kilometers from where the Cheonan sank has in recent years been the most tension-plagued area of the long standoff between the two Koreas.

North Korea has never accepted the border line, drawn by the United Nations a short time after the Korean War ended in a ceasefire in 1953.

The two Koreas traded fire in the region this past Nov. 10, when a North Korean naval vessel strayed south of the border and remained there despite warnings from a South Korean patrol ship. When the North's ship fired shots after the warnings, the South's vessel fired a barrage of shots. The North's ship caught fire and returned to port.

And in late January, North Korea fired artillery shells from shoreline positions into water near the maritime border in what it called a training exercise.

Before those recent incidents, a North Korean patrol boat in June 2002 sank a South Korean boat in the Yellow Sea border area, killing six South Korean sailors and wounding 19.

In June 1999, South Korea sank two North Korean warships in the same area, killing an unknown number of sailors. Seven South Korean sailors were hurt at that time.

—Jaeyeon Woo contributed to this report.

Missing dissident found in northern China

By Gordon Fairclough

SHANGHAI—One of China's high-profile dissident lawyers, missing for more than a year, has resurfaced and is apparently living in mountains in northern China known as a place for Buddhist pilgrimages.

The dissident, Gao Zhisheng, who has gained a reputation for taking on the government in legal cases, disappeared from his hometown in February last year. His case has drawn significant international attention, because he was missing for so long and because he had reported being tortured by authorities when detained previously.

Mr. Gao told the Associated Press in a telephone interview on Sunday that he is living in Shanxi province and is "free at present." Mr. Gao also told the AP that he wants "to be in peace and quiet for a while, and be reunited with my family." The dissident told Reuters in a separate phone conversation Sunday that he was released about six months ago.

In 2006, Mr. Gao was arrested and placed under house arrest with intense surveillance by security agents. His wife and children fled China about a month before Mr. Gao's 2009 disappearance. They were later granted asylum in the U.S. Chinese officials offered vague and at-times conflicting statements about Mr. Gao's whereabouts.

In January, a Chinese foreign-ministry spokesman, responding to a question from a reporter, said that Mr. Gao was "where he should be" after "relevant judicial authorities have decided this case." The spokesman's comments, however, weren't included in the ministry's official transcript of the news conference.

British Foreign Minister David Miliband raised Mr. Gao's case, among other human-rights concerns, when he visited China this month.

At a news conference with Mr. Miliband, Chinese Foreign Minister Yang Jiechi said Mr. Gao "has been sentenced for committing the crime of subverting state power."

It is unclear whether Mr. Yang was referring to a previously reported 2006 conviction, for which he received a suspended prison sentence, or to the results of a new trial. Mr. Gao said in a statement issued before he disappeared that Chinese security forces beat him and applied electric shocks to his genitals during a 2007 detention.

ERNA YU/AFP/Getty Images

Gao Zhisheng in file photo of a November 2005 interview in his Beijing office. The lawyer was missing more than a year.

Reuters reported that Mr. Gao, known as an advocate for political reform, appeared to be under police surveillance when interviewed by phone Sunday, and he declined to make extensive comments.

He told the AP that he isn't allowed to accept media interviews.

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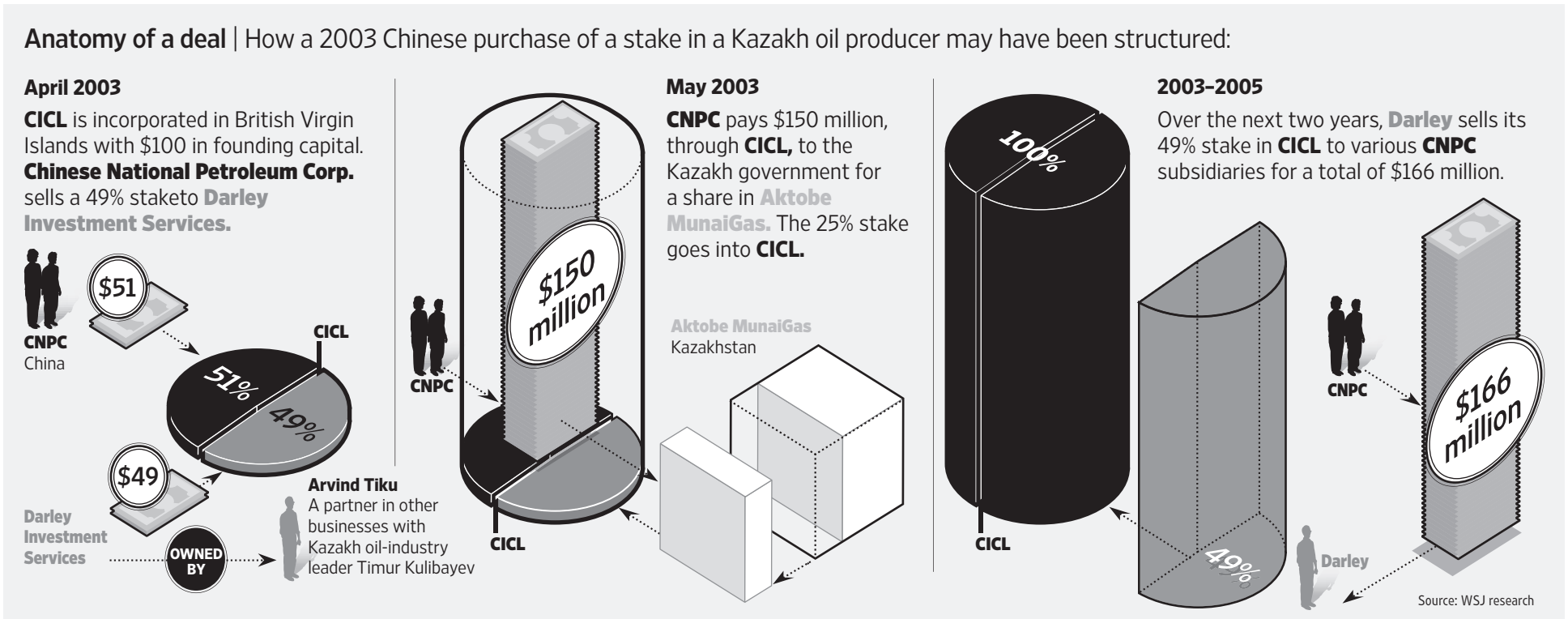
Anatomy of a deal | How a 2003 Chinese purchase of a stake in a Kazakh oil producer may have been structured:
April 2003
CICL is incorporated in British Virgin Islands with $100 in founding capital. Chinese National Petroleum Corp. sells a 49% staketo Darley Investment Services.
$51
CNPC
China
CICL
51%
49%
$49
Darley Investment Services
OWNED BY
Arvind Tiku
A partner in other businesses with Kazakh oil-industry leader Timur Kulibayev
May 2003
CNPC pays $150 million, through CICL, to the Kazakh government for a share in Aktobe MunaiGas. The 25% stake goes into CICL.
$150 million
CNPC
CICL
Aktobe MunaiGas
Kazakhstan
2003–2005
Over the next two years, Darley sells its 49% stake in CICL to various CNPC subsidiaries for a total of $166 million.
100%
CICL
49%
CNPC
$166 million
Darley
Source: WSJ research

China's Kazakh oil deals spark spat

By Guy Chazan

An acrimonious battle between two prominent Kazakh businessmen has triggered a slew of allegations that purport to lift a lid on how Chinese companies built a commanding position in Kazakhstan's oil industry.

The dispute pits a fugitive banker against one of the country's top oil executives—Timur Kulibayev, the powerful son-in-law of Kazakhstan's long-serving president.

Mukhtar Ablyazov, now living in London, accuses Mr. Kulibayev, the chairman of Kazakhstan's state oil company, of being behind several privatization deals over the past 10 years in which state assets were allegedly sold off at well below market value.

The banker claims some of those transactions were made possible by private payments to Mr. Kulibayev's associates. One of his most incendiary allegations centers on a 2003 deal in which a Chinese oil company bought a 25% stake in a Kazakh oil producer. As part of that complex transaction, a business partner of Mr. Kulibayev allegedly realized a $166 million gain on an initial investment of $49, corporate documents of the deals indicate.

Mr. Kulibayev and the partner have denied the allegations.

The claims first surfaced in January in a series of open letters from Mr. Ablyazov to Kazakh authorities. His letters, accompanied by a trove of documents, were also published in the Kazakh media.

Mr. Ablyazov says his motivation is to expose what he calls "theft of state property on a grand scale" in the oil-rich former Soviet republic run by Mr. Kulibayev's father-in-law, President Nursultan Nazarbayev. "It is important that the Kazakh people understand how these shadowy transactions have been conducted and what sort of methods are being used by those close to the president to gain creeping control over the economy in order ...to enrich themselves," he said in a statement. "Valuable natural resources are being delivered into the hands of China without any public debate."

Some Kazakh observers see Mr. Ablyazov's motives as more personal: Mr. Kulibayev is deputy chairman of the state-owned national welfare fund that recently took control of Mr. Ablyazov's Kazakh bank, BTA. Last year, Kazakh prosecutors issued an arrest warrant for Mr. Ablyazov on suspicion he embezzled money from BTA and laundered it through loans to companies he secretly controlled.

Mr. Ablyazov denies the allegations against him. He fled Kazakhstan for London last year shortly before the authorities took over BTA, saying he feared arrest.

In mid-March, the Kazakh financial police said it had investigated all of Mr. Ablyazov's allegations and found them "groundless." It said it planned no prosecutions in the matter.

Mr. Kulibayev initially took extraordinary steps to squelch Mr. Ablyazov's claims. When opposition newspapers there published the open letters the banker wrote to law-enforcement agencies in January outlining his allegations, Mr. Kulibayev won court injunctions ordering the print runs seized and banning publication of any material impugning his honor. After the newspapers appealed, the court overturned its decision.

Some of the most explosive allegations concern a deal involving a China-owned oil company, China National Petroleum Corp., or CNPC. They come at a time when Chinese authorities put four officials from Anglo-Australian mining company Rio Tinto on trial last week on charges of accepting bribes.

The Ablyazov affair has aroused passions in Kazakhstan, where the issue of Chinese oil investment is highly controversial.

Western oil majors, which in the early days of Kazakh independence won a string of historic contracts to develop some of the country's largest oil fields, have seen their influence wane in recent years as that of Chinese companies such as CNPC has grown.

Only last year, CNPC teamed up with the Kazakh state oil firm in a $2.6 billion deal to buy Kazakh oil producer MangistauMunaiGas, a deal that left Chinese interests in control of a quarter of Kazakh oil production.

China's rise has come despite the grass-roots mistrust many ethnic Kazakhs feel toward their more populous eastern neighbor. In January, Kazakh demonstrators protesting China's growing influence clashed with police in the country's business

ITAR-TASS

Radio Free Europe/Radio Liberty

Kazakh oil industry executive Timur Kulibayev, left, has been locked in an acrimonious battle with exilied banker Mukhtar Ablyazov.

capital, Almaty.

One set of Mr. Ablyazov's allegations center on the 2003 sale of Kazakhstan's 25% stake in Aktobe Munaigas, the country's fourth-largest oil producer. At the time, Aktobe was already 60% owned by a CNPC unit, CNPC Exploration and Development Co. Ltd.

Kazakh authorities sought about $380 million at the May 28 sale of the stake, but found no willing buyers.

A day later, a unit of CNPC bought the stake for $150 million—less than half the original asking price. That would value the company, which produced about 100,000 barrels a day in 2003, at about $600 million.

That year, CNPC-Aktobe MunaiGas reported profit of 36 billion tenge, or about $245 million, according to a copy of its 2003 annual report.

Since then, Kazakh oil assets have generally fetched higher prices, partly a reflection of rising oil prices. In 2005, CNPC paid $4.18 billion for a company called Petrokazakhstan Inc. an oil producer slightly larger than Aktobe but with only about half of its crude reserves.

The vehicle the Chinese oil company used to acquire the Aktobe stake was a company incorporated in the British Virgin Islands in April 2003, called CNPC International (Caspian) Ltd, or CICL.

According to a partnership agreement leaked by Mr. Ablyazov to the Kazakh press, CNPC set up CICL through one of its subsidiaries, which paid all the issued capital of $100.

It also agreed to sell, for $49, a 49% stake in CICL to a British Virgin Islands company called Darley Investment Services Inc. That firm is owned by Arvind Tiku, an Indian national who is a business partner of Mr. Kulibayev. The two are shareholders in KazStroyService, a private oil engineering, procurement and construction company. The documents that form the basis of Mr. Ablyazov's allegations were given to him by a former business associate of Mr. Tiku.

Darley's nominal investment soon appeared to pay massive returns, the documents suggest.

Under the terms of the leaked partnership agreement, CNPC, through its subsidiary, agreed to loan CICL the entire sum needed to buy the 25% stake in Aktobe Munaigaz.

The same document said that once the sale was complete and CICL owned the shares, CNPC agreed to buy back 29% of Darley's stake in CICL for $25.9 million.

In a series of deals over the next two years, Darley sold its remaining 20% stake in CICL to other offshore subsidiaries of CNPC for $140 million, according to Mr. Ablyazov, who provided summaries from Darley's bank account showing the alleged payments. That brought Darley's earnings from the Aktobe Munaigaz deal to $165.9 million, for an initial outlay of $49, according to the documents.

In his letter to Kazakh officials, Mr. Ablyazov alleged the $165.9 million paid to Darley was "effectively a bribe given to Timur Kulibayev, for organizing the sale of a state-owned asset for much less than the market price."

Mr. Ablyazov provides no evidence that the money that flowed through Darley ultimately benefited Mr. Kulibayev.

In a statement, Magwells, a London-based law firm representing Mr. Kulibayev, said its client is not, and has never been, a shareholder in Darley, and wasn't involved in the Aktobe Munaigaz transaction.

The Chinese oil company also contested Mr. Ablyazov's account of the transaction. CNPC said Mr. Ablyazov's claims were "groundless and libelous." In a statement, the company's Hong Kong and New York-listed subsidiary Petrochina said it "conducts its international business according to best business practice, with high integrity and in full compliance with regulations."

China has general laws against commercial bribery within the country. It has no equivalent of the United States' Foreign Corrupt Practices Act, which prohibits companies from bribing company or government officials abroad.

Through his London lawyer David Price, Mr. Tiku said Mr. Ablyazov's account of the Aktobe Munaigas deal "does not provide a true reflection of the transaction," and the facts as stated in it were "incomplete and inaccurate." In part, he said, the account does not reflect "economic conditions which played an important part in the outcome" of the Aktobe Munaigas transaction, including oil prices he says trebled between 2003 and 2005.

Mr. Tiku said he had made full and open disclosure to the Kazakh investigating authorities, but said that "due to confidentiality obligations" he was unable to provide further comment.

The Kazakh financial police said Mr. Ablyazov "presented only a part of the documents, which don't reflect the whole picture" of the deals. Neither the police nor Mr. Tiku would provide additional documentation.

—Shai Oster in Beijing contributed to this article.

WORLD NEWS: ASIA

Officials spar over Japan Post plan

By Alison Tudor And Takashi Nakamichi

TOKYO—An unusual open feud broke out last week between top Japanese government officials over how far to go in reversing the landmark privatization of the country's sprawling postal system, which doubles as one of the largest savings banks in the world.

Japan's outspoken postal services minister, Shizuka Kamei, announced Wednesday that the government plans to keep at least a one-third ownership stake in **Japan Post Holdings** Co., which combines mail delivery with nationwide banking and insurance services, reversing a proposal by an earlier administration to separate the entity from the public sector. Mr. Kamei also proposed a sharp increase in the limit on deposits that consumers can put into government-run postal savings accounts and insurance.

But other members of Prime Minister Yukio Hatoyama's cabinet quickly and publicly rebuked Mr. Kamei's privatization blueprint, arguing that allowing a state-controlled financial giant to raise yet more funds would stifle competition in Japan's financial-services market, which is only beginning to recover from the global financial crisis.

"There was no disclosure of how such a limit on deposits was decided," Strategy Minister Yoshito Sengoku, one of Mr. Kamei's fellow cabinet members, said at a news conference Friday. "Intense competition will develop for small and medium-sized financial institutions as well as life insurers, and it is excessive competition which disrupts markets," he added.

Mr. Hatoyama said Friday he intended to hold a cabinet meeting next week to review Mr. Kamei's plans for broadly scaling back the postal privatization. "We'd like to reach a conclusion on the 30th with all the cabinet ministers in attendance," he said.

Speaking at a wide-ranging news conference marking his first half year in office, the prime minister acknowledged: "It's been six months since we took power and because we were inexperienced some problems did occur."

Indeed, the confusion over plans to overhaul the huge postal system is the latest example of how the government is struggling to coordinate the policy-making of its various ministries. Coming at a time when voters are demanding firm government action to lift the economy, this fresh sign of poor policy handling could further hurt the cabinet's already faltering approval ratings before an election this summer.

Ministers debate landmark privatization of the postal system, which doubles as a nationwide savings bank.

Tokyo watchers say the debate illustrates how the new Japanese government is trying to appeal to a wide cross section of society ahead of the upper-house elections set for July. Mr. Kamei is looking to win votes from people who felt threatened by the privatization, while other ministers are trying to appeal to voters worried about Japan's economic health.

"The government is trying to have its cake and eat it," said Stephen Church, research partner at equity research house Japaninvest KK. "Mr. Hatoyama is trying to straddle quite different camps within his government," he added.

One of the few significant acts of Mr. Hatoyama's government after it swept to power in September was to freeze the sale of equity in Japan Post's banking and insurance arms that was slated to begin this year. Now, a decision has to be made what to do with an entity that controls assets valued at more than $3 trillion and is one of the world's largest financial institutions. Mr. Kamei said he plans to win cabinet approval by mid-April and get his proposed overhauls enacted in June.

But his proposals immediately sparked complaints from banks worried about losing customers. Katsunori Nagayasu, president of the Bank of Tokyo-Mitsubishi UFJ and chair of the Japanese Bankers Association, warned that Mr. Kamei's proposals could damage private-sector banks, as people tend to shift deposits into the government-backed Japan Post Bank during times of financial stress.

The U.S. government has also raised concerns that a newly empowered, government-backed Japan Post could make it harder for American financial-service companies to compete in Japan.

"We urge Japan to address these concerns in its legislation so that U.S. and other private-sector suppliers receive the equal treatment that Japan's international obligations require," Democratic Sen. Max Baucus of Montana and Republican Sen. Charles Grassley of Iowa—the leaders of the Senate Finance Committee—wrote in an open letter to the Japanese ambassador to the U.S. this month.

Japan began a 10-year process of privatizing state-run postal services in October 2007 under a plan originally laid out by the former administration of Junichiro Koizumi.

Mr. Hatoyama's government won election in August in part on a promise to reverse the free-market overhauls of the Koizumi era.

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WORLD NEWS: ASIA

China sees industrial profits surge

Numbers show economic recovery but also reflect weakness experienced in early 2009, statistics bureau says

By Patricia Jiayi Ho

BEIJING—Profits at China's major industrial enterprises more than doubled in the year's first two months, as profitability returned to levels last seen before the financial crisis, the National Bureau of Statistics said.

The news of a 119.7% rise in industrial profits in the January-February period from a year earlier comes as many large Chinese companies have issued strong profit expectations ahead of their 2009 earnings results.

However, the statistics bureau also sounded a note of caution Friday against an overly optimistic characterization of the increase in January and February, saying that while it indicates economic recovery and growing demand, it is also due to a low base of comparison in 2009.

"The current industrial profit increase is relatively high, but still is considered to be of a recovering nature," the statistic bureau said.

Industrial profits had fallen 37.3% in the first two months of 2009, the bureau said, adding that profits had "merely" returned to precrisis levels. Compared with the first two months of 2008, industrial profit in the first two months of this year was up 17.4%—significantly lower than the 30% average rate over the past 10 years, the bureau said.

Industrial companies' profit margin in the first two months of 2010 was 5.7%, the statistics bureau said, more than two percentage points higher than a year ago but essentially unchanged from the 2008 period.

The report comes at a time of year when Chinese companies are starting to report annual profits and many firms have said they expect to report net profit grew robustly last year, when a massive government stimulus effort helped to prop up China's economy amid a global slowdown.

Much of the government stimulus effort went into infrastructure investment but some also went toward subsidies, such as a lower tax for car purchases.

SAIC Motor Corp., China's largest auto maker by sales volume, said it expects a more than ninefold rise in 2009 net profit on the back of the government stimulus.

China State Construction Engineering Corp. said it expects its 2009 net profit to have increased more than 80% due to a sharp rise in revenue from infrastructure and real-estate operations.

China Railway Construction Corp. said it expects its net to have risen over 50%, also due to the surge in infrastructure investment. The companies are expected to report their 2009 results next month.

Reuters

An employee works at a textile plant in Anhui province on Friday.

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Sinopec concedes it found payments from Daimler earlier

By James T. Areddy

SHANGHAI—**China Petroleum & Chemical** Corp. acknowledged its own links to a multination U.S. investigation into improper payments made by **Daimler** AG, issuing a statement on Friday urging Beijing to crack down on unscrupulous behavior by multinational companies and other businesspeople.

The Beijing giant, known as Sinopec, said that after an internal investigation it launched in 2004 it discovered that a former employee had taken unspecified bribes from Daimler. The refiner said it later handed findings, involving unspecified bribery in 2002 and 2003, to Beijing prosecutors, who charged, convicted and jailed the man in 2006.

Sinopec, which controls dozens of subsidiaries around the world including U.S.-listed Sinopec Corp., said it was making its first public statement on the case in response to news reports tying it to a recent U.S. investigation into bribery by Daimler.

The German auto maker reportedly agreed to pay $185 million to resolve a long-running U.S. investigation into allegations that it paid tens of millions of dollars in bribes to secure business in at least 22 nations, including China.

Daimler declined to comment on the allegations, and hasn't commented on the agreement to settle the case.

Sinopec's statement identified its former employee only by his surname, Du, and offered few details of his alleged activity. A spokesman for Sinopec Group said Mr. Du was an employee of the subsidiary China Petrochemical International Ltd. dealing with procurement of items including heavy machinery.

Sinopec said it requires employees to sign statements pledging to avoid corruption.

The complaint offers a detailed look at alleged corrupt activity by Daimler in China. Over 14 pages, it alleges illegal activity from 1998 to 2005, alleging the company gave funds to unidentified government officials and employees of various entities, including Sinopec, who were in a position to influence vehicle purchase decisions.

Sinopec said in its statement that it requires ethical activity by its employees and from its suppliers. The Sinopec spokesman said that since 2007 the company has put 95% of its corporate-procurement program online, inserted antibribery provisions into contracts, and required employees to sign statements pledging to avoid corruption.

Germany's new view of a unified Europe

By Marcus Walker

BERLIN—Germany's tough conditions for any aid for Greece, which other euro-zone countries were forced to swallow at a European Union leaders' summit last week, signal a broader division that threatens to hamper Europe's ambitions as a global power: Germany has cooled to unity, except on its terms.

In the past two years Germany effectively vetoed joint European action to rescue banks and stimulate growth, and rejected euro-zone calls for more teamwork on economic policy. Now German Chancellor Angela Merkel has forced the euro zone to agree that Greece will get help only when it is on the verge of bankruptcy, and will get part of it from the International Monetary Fund—terms that most other European leaders accepted only through gritted teeth. What is more, Germany retains a veto over any decision to use the Greek rescue plan.

Berlin's hard line on Greece "is yet another example of German economic unilateralism," says Charles Grant, director of the Center for European Reform, a London think tank.

Ms. Merkel has threatened to boot financially wayward countries out of the euro zone. EU treaties would have to be amended to allow such a sanction, and Germany knows there is little chance of other countries agreeing. But her comments reflected Germans' growing irritation at European calls for the country to open its wallet. "German politicians and voters think more European integration means other countries grabbing German money," says Mr. Grant.

The chancellor insisted last week that she is defending the European bargain that was struck in the 1990s to create a shared currency, and said her tough stance would be good for Europe.

She denied Germany is pursuing narrow national interests.

But German media and other European politicians have noted the shift in tone from the grand historical visions of former chancellor Helmut Kohl to Ms. Merkel's hard-nosed pragmatism. German newspapers have compared her in recent days with the "iron chancellor" Otto von Bismarck and the "iron lady," former U.K. prime minister Margaret Thatcher.

Threats to expel another country from Europe's monetary union would have been unthinkable under Mr. Kohl, an architect of the euro who regularly wielded Germany's checkbook to build European compromises, analysts say.

When Germany achieved reunification in 1990, Mr. Kohl's government reassured neighbors that the newly powerful nation sought "a European Germany, not a German Europe." Now Ms. Merkel is pushing for "a more German Europe," says Jonathan Eyal, director of studies at the Royal United Services Institute, a London think tank.

Ms. Merkel is demanding new measures to beef up the euro zone's rules for disciplining a wayward member, a move that some see as a step toward tighter economic integration in the group. Others read the push as a signal that Germany is merely seeking greater control over other governments' fiscal policy, while refusing to deepen its own commitment to the common European cause.

Luxembourg Foreign Minister Jean Asselborn last week voiced a widespread frustration in other euro-zone capitals, accusing Berlin of forgetting that the EU and its single currency are "a peace project, a community of destiny," and of putting domestic politics ahead of European solidarity. German public opinion is strongly against lending money to Greece.

The tensions over Greece are the latest chapter in a gradual divergence of German interests and the project of European integration. Until the 1990s, the two were practically identical: With war memories still strong in Europe, Germany could regain national unity and international acceptance only by immersing itself in European institutions.

Reunified Germany's awareness of its own strength led to a shift under Mr. Kohl's successor, Gerhard Schröder, who was less bashful than previous post-World War II chancellors about pursuing Germany's national interests. Mr. Schröder blocked EU legislation that didn't suit German industry and struck bilateral energy deals with Russia despite protests from other EU countries.

Ms. Merkel is more of a convinced European in the Kohl tradition than Mr. Schroder, says Gerd Langguth, a biographer of Ms. Merkel and a fellow member of her Christian Democratic Union party. "But she no longer has the room for maneuver," because of German voters' nervousness about their own country's future finances, he says.

Bloomberg News

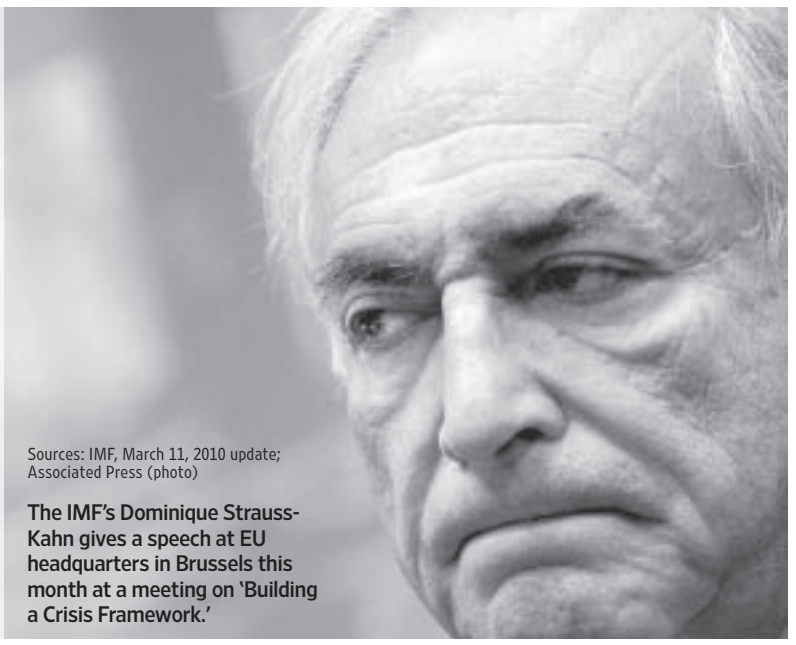
France's Nicolas Sarkozy greets Germany's Angela Merkel in Brussels Friday.

World-Wide wallet

Among the IMF's current largest commitments, in billions of dollars:

Lines of credit	
Mexico	$47.6
Poland	$20.6
Colombia	$10.5
Loans	
Romania	$17.2
Ukraine	$16.6
Hungary	$15.9
Pakistan	$10.9
Serbia	$3.9
Iraq	$3.5
Belarus	$3.4
Sri Lanka	$2.4
Latvia	$2.2
Iceland	$2.1

Sources: IMF, March 11, 2010 update; Associated Press (photo)



The IMF's Dominique Strauss-Kahn gives a speech at EU headquarters in Brussels this month at a meeting on 'Building a Crisis Framework.'

Greece Builds IMF's Sway

By Bob Davis

WASHINGTON—The euro zone's decision to include the International Monetary Fund in any Greek rescue plan extends the fund's influence to a large swath of the world economy—and gives a political boost to its managing director.

Over the past two years, the IMF has worked with the European Union to bail out EU members, including Latvia and Hungary. Now it is clear that the IMF mandate reaches also to Portugal, Spain and other troubled members of the 16-nation euro zone, said Domenico Lombardi, a Brookings Institution expert on the IMF.

"Any possible [economic] contagion to Portugal and Spain [from Greece] should be under control," because of IMF and euro-zone involvement, he said.

The major developing nations of Asia still keep their distance from the IMF, largely because of what they view as the fund's high-handedness during the Asian financial crisis of a decade ago. As an alternative to the IMF, Asian nations continue to build up reserves and arrange swap lines to weather financial crises.

The euro-zone decision was a personal victory for the IMF's managing director, Dominique Strauss-Kahn, who has said he is considering a run for the French presidency in 2012. For weeks, French President Nicolas Sarkozy adamantly opposed an IMF role and changed his stance only after Europe's largest economy, Germany, made clear that it wanted the IMF to help pay for any Greek bills.

"For Strauss-Kahn personally, this is a big win, given how Sarkozy has resisted this course," said Daniel Heath, a researcher at Georgetown University in Washington, who was a U.S. representative to the IMF executive board. "It looks like he's leading an IMF that's orchestrating solutions around the world."

Mr. Strauss-Kahn, a former French finance minister, had been quietly lobbying his European counterparts for weeks, repeating that the IMF was available to help, arranging so-called technical assistance—meaning having the IMF help to redesign Greek pension systems—and assuring Europeans that the IMF isn't dominated by the U.S.

Mr. Strauss-Kahn told IMF board members that he emphasized the prominentrole of Europeans at the IMF, including the IMF's chief for Europe, Marek Belka, a former Polish prime minister, IMF officials say.

In addition, the IMF couldn't force changes in monetary policy on euro-zone members, as it does elsewhere because that policy is set by the European Central Bank. Mr. Strauss-Kahn will visit Poland and Romania starting Monday and is sure to face questions on Greece there.

"We are following developments closely," said an IMF spokeswoman, who didn't comment on Mr. Strauss-Kahn's activities. "And as we have said earlier, the fund always stands ready to consider a request from a member country for our financial assistance."

The IMF isn't likely to act immediately on Greece. Euro-zone nations and the IMF are waiting to see whether the aid announcement will be sufficient to reduce Greece's cost of borrowing. The IMF also would need to send a team of economists to Greece to assess the country's finances before it cobbles together any loan package.

If the Greeks can borrow more cheaply, "they will meet their immediate financing needs and wouldn't require backup financing from euro-zone member governments and the IMF," said Jeff Anderson, head of the European department of the Institute of International Financep.

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WORLD NEWS

Obama in surprise visit to Kabul

Trip is meant to rally troops in Afghan surge and to issue a warning to Karzai administration on corruption

By Peter Spiegel and Jonathan Weisman

KABUL, Afghanistan—President Barack Obama, on an unannounced trip to Afghanistan, rallied the U.S. troops he sent into the eight-year-old war here. He delivered a personal message to Afghan President Hamid Karzai that corruption and drug trafficking could no longer be tolerated.

The secret trip was Mr. Obama's first to Afghanistan as president, and came almost four months after his Dec. 1 West Point speech announcing the escalation of forces in the country. The trip put the U.S. president's credibility behind the Karzai government, but the first message sent by senior U.S. officials was a stern warning.

The president engaged Mr. Karzai "to make him understand that in his second term, there are certain things that have been not paid attention to, almost since Day One," National Security Adviser James Jones said, such as "battling corruption, taking the fight to the narco-traffickers," which he said have become the economic engine of the insurgency that Afghan and NATO troops are battling. The two presidents also are discussed efforts to reconcile with elements of the Taliban-led insurgency and to reintegrate willing guerrillas back into Afghan society.

Mr. Karzai, speaking to the press, said he wanted to "express the gratitude of our people for the help that America has given us for the last eight years." He thanked U.S. taxpayers for "rebuilding and re-establishing the institutions" of Afghanistan.

Reuters

U.S. President Barack Obama meets with Afghan President Hamid Karzai at the Presidential Palace in Kabul on Sunday.

"The American people are encouraged by the progress that's been made," Mr. Obama replied. The U.S. president then hailed "the tremendous sacrifices" of U.S. and coalition troops that are "far away from home." "I want to make sure they know how proud their commander-in-chief is of them," he added.

Mr. Karzai will visit Washington May 12 for further consultations.

The trip was shrouded in secrecy for security reasons. The White House informed Mr. Karzai of the visit on Thursday. Mr. Obama ostensibly was spending the weekend with his family at the presidential retreat of Camp David, in Maryland. In fact, Air Force One took off to Afghanistan on Saturday night, arriving just after nightfall at Bagram Air Base. The president then helicoptered to the presidential palace shortly after 8 p.m. Kabul time.

The importance of the trip was underscored by the delegation he took. His foreign-policy entourage included the top echelons of the National Security Council, along with U.S. Ambassador to Afghanistan Karl Eikenberry and Gen. Stanley McChrystal, commanding general of allied forces in the country, who met him in Afghanistan. He also brought along White House Chief of Staff Rahm Emanuel and senior White House adviser David Axelrod, a key political adviser.

For his part, Mr. Karzai greeted Mr. Obama with all the trappings of a state visit. Green cloth topped by bouquets of pink and red flowers adorned a table where the presidents were to meet. A long reflecting pool in the Presidential Palace was strewn with pink flower petals.

After the two presidents met, Mr. Obama gathered with the Afghan cabinet and his wide circle of U.S. officials.

For Mr. Obama, the trip carried implications for domestic and foreign policy. It signaled that after focusing chiefly on securing his health-care plan, he is engaging further in the multiplicity of issues facing the nation, both at home and abroad. Mr. Obama had canceled a trip to Indonesia and Australia to work to win final passage of the health-care bill. By comparison, the Afghanistan war may be the central foreign-policy initiative of his term.

President Obama has traveled to Iraq, where he greeted U.S. troops he hopes to bring home. But he had been criticized for not visiting what is regarded as his war, Afghanistan.

Allawi seeks partners to form new Iraq government

By Margaret Coker

BAGHDAD—Ayad Allawi, the leader of the alliance declared the winner in Iraq's parliamentary elections, said Saturday he is hopeful the country's Kurdish and Shiite parties will join his secular Iraqiya bloc in a new national government.

In an interview, Mr. Allawi also chastised Prime Minister Nouri al-Maliki, who has so far refused to accept the results of the polls, which show his bloc finished second. Mr. Allawi, a former prime minister himself, accused the incumbent of stoking sectarian tensions and threatening instability.

"I'm worried," Mr. Allawi said in a 30-minute interview with The Wall Street Journal at his home in the capital. Dressed in a dark suit and open-collared shirt, he looked weary after a long, acrimonious campaign.

Mr. Maliki is "not acting responsibly. We need to have a peaceful transition to power ... not have a leader who clings to power forever," Mr. Allawi said.

According to preliminary final results announced Friday, Mr. Allawi's bloc won 91 seats to 89 seats for Mr. Maliki's State of Law, leaving no party with a majority in the 325-seat parliament. The results should be ratified by Iraq's Supreme Court after a three-day period set aside to hear legal challenges.

Associated Press

Ayad Allawi, head of the Iraqiya alliance declared the winner in Iraq's parliamentary elections, in Baghdad Saturday.

The process of building a coalition government is expected to be long, possibly stretching into weeks or months. Complicating the effort is the country's deep religious and sectarian divides, and the strong egos, that have dominated the political landscape here since the fall of Saddam Hussein in 2003.

Mr. Allawi's bloc was the only group in the election to exhibit crossover appeal among Iraq's different religious and ethnic groups, beating Mr. Maliki in a strategy that the incumbent had also tried to employ. A secular Shiite, Mr. Allawi succeeded in cobbling together a list of candidates from Sunni, Shiite and secular backgrounds.

In the interview, Mr. Allawi accused Mr. Maliki of stoking sectarian tensions across the country during the election campaign and using hard-ball tactics to get members of his candidate list thrown off the ballot. Ahead of the election, hundreds of people were barred from running in the race because of their alleged ties to Mr. Hussein's fromer party.

The committee charged with vetting candidates was headed by Shiite candidates in the race, and it was supported by Mr. Maliki. Mr. Allawi said he expected Mr. Maliki to attempt to overturn Iraqiya's win with a renewed anti-Baathist campaign against his list ahead of the ratification of the vote results.

"It's clear that's what he'll do ... [as] an attempt to get rid of his political opponents," Mr. Allawi said.

Mr. Maliki, speaking immediately after election results were announced Friday night, alleged fraud in the polls. He challenged the integrity of the election process, arguing that both "criminals and terrorists" were allowed to take part in the vote, appearing to underscore a widespread accusation among his supporters that candidates from Mr. Allawi's Iraqiya still have Baathist ties.

Although Mr. Allawi didn't rule out a possible coalition government with Mr. Maliki's State of Law, he implied that it would be a highly unlikely outcome. Together, Iraqiya and the State of Law control enough seats in parliament to form a government together. However, aides from both sides have said the two groups have shunned each other.

As of Saturday afternoon, Mr. Allawi said he hadn't heard from the prime minister. "He hasn't talked to us for a very long time," Mr. Allawi said of Mr. Maliki.

If the two biggest vote-getting blocs don't join forces, the country's Kurdish Alliance and the Shiite-led Iraqi National Alliance would emerge as potential king makers.

Mr. Allawi said he anticipates an easy alliance between Iraqiya and the Kurds, given his strong friendship with the veteran Kurdish politicians who lead all the major parties within their bloc. One of Mr. Allawi's closest friends is Iraqi President Jalal Talabani. Kurdish politicians confirm that talks have started between Iraqiya and their leaders.

Even if the Kurds join Mr. Allawi, he still won't have enough seats to form a government, and it is still unclear whether he will be able to recruit enough other partners to win the premiership.

Still, during the interview, he outlined some of his goals if he does end up prime minister. He said he would keep cordial relations with all of Iraq's neighbors, including Iran. Mr. Allawi ran, in part, on a platform of mending ties with some of Iraq's traditional Arab allies, such as Saudi Arabia and Syria, which have had testy relations with Mr. Maliki.

Tehran, meanwhile, is a large trading partner with Iraq and has in recent years exercised an outsized influence over internal politics, given its close religious and historic ties with the religious Shiite parties that have dominated politics here in the recent past.

Post-Post-Reform Japan

Japanese Prime Minister Yukio Hatoyama, contemplating his first six months in office Friday, told a press conference that "because we were inexperienced some problems did occur." That's an understatement: Look no further than the unfolding brawl within the government over postal reform.

Japan Post doesn't merely deliver mail. It's the world's largest financial institution by assets, with $3.3 trillion on its balance sheet. When Mr. Hatoyama's Democratic Party of Japan took power in September, one of its first economic acts was to freeze the postal privatization started by former Prime Minister Junichiro Koizumi. Now one cabinet minister wants to dig the antireform hole even deeper.

Postal and Financial Services Minister Shizuka Kamei said Wednesday he would like to increase the per-depositor cap on deposits at the postal bank to 20 million yen ($216,000) from 10 million yen. He would also raise the cap on individual insurance to 25 million yen from 13 million yen. Mr. Hatoyama quickly backtracked from the statement, as did National Strategy Minister Yoshito Sengoku, but Mr. Kamei's party is key to the ruling coalition and he's refusing to back down. The cabinet is due to discuss the issue further this week.

As this debate unfolds, leaders may want to consider how central Japan Post's fate is to the health of the economy. Right now, the government-owned postal bank mostly recycles savers' money into government bonds—which are often used to fund wasteful infrastructure spending, or are squirreled away as cash on various government balance sheets.

> Hatoyama contemplates reinstating a government slush fund.

Mr. Kamei's proposal would exacerbate these distortions. One major problem is that, when offered a choice between the security of a government-owned bank or the supposed risk of a private bank, many depositors prefer the former. That's what happened the last time the deposit cap was increased, to 10 million yen from seven million yen in 1991.

Optimists may argue that now, with the financial system more stable than it was then, depositors will be less likely to flee to postal safety. But that's both rosy and short-sighted. Even if depositors don't move their money now, they'd have greater scope to do so if Japan faces another banking crisis in the future. Mr. Kamei is installing a tap through which money could leave the private banks at the worst possible time.

More broadly, the outcome of this postal debate will say a lot about how well Messrs. Hatoyama, Kamei and colleagues understand the broader problems facing Japan's economy. Mr. Kamei's postal proposal comes when the government is also putting more pressure on the central bank to flood yen into the economy to fight deflation. With the benchmark interest rate already near zero, one implication is that Mr. Hatoyama and his government would like the central bank to monetize government debt—printing money to buy government bonds—to expand the money supply.

Yet now Mr. Kamei is contemplating a step that would effectively "debtify" the money by soaking up cash from depositors and parking it in government bonds. Successive governments have used these bonds to finance public works spending, and Mr. Kamei also claims he'd like to see Japan Post engage in more small-business lending. We'll believe a bureaucrat can make a better pro-growth credit decision than a private banker when we see it.

Mr. Kamei may not care as much about the economics as about the politics of postal reform. Around 24,500 Japan Post offices dot the countryside, providing jobs for nearly 440,000 employees—who are also voters. Note he also suggested converting 100,000 of Japan Post's "irregular" workers into normal staffers entitled to full benefits, at a cost of an additional 300 billion yen a year. Especially with an election looming for the upper house of parliament this summer and Mr. Kamei's small People's New Party fighting for its future in the ruling coalition, he may think his plan is good electoral politics.

It's terrible economics, however, and that makes it awful politics for Mr. Hatoyama himself. Voters tossed out the Liberal Democratic Party last year in part out of frustration with the LDP's failure to deliver growth. This week provides an opportunity for Mr. Hatoyama to reflect on whether he can afford to spurn one of the few important economic reforms left from the LDP era.

A Paler Shade of Brown

It wasn't long ago that the upcoming general election in the U.K. seemed to be David Cameron's to lose. With the economy in a funk and Prime Minister Gordon Brown viewed as damaged goods, Mr. Cameron's Conservatives appeared poised to emerge from 13 years in the political wilderness. But recent polls have seen the Tories' lead narrow dramatically, raising the specter of a hung Parliament, if not a narrow Labour victory. Where did Mr. Cameron go wrong?

In 1997, Tony Blair took Labour back into power by reinventing his party. "New" Labour, he argued, could be entrusted not to undo the pro-growth reforms of the Thatcher years. Marginal tax rates wouldn't go up and fiscal policy would be managed conservatively. Rather, Mr. Blair and then-Chancellor Brown promised to chart a "Third Way" between the perceived harshness of the 1980s and the big-government and pro-union excesses of the 1970s.

By any measure, this political triangulation was wildly successful, resulting in three successive Labour landslides. Economically, the first decade of Labour government was also successful. Unemployment and inflation were low, economic growth reasonable. Labour's Goldilocks strategy—not too left, not too right—seemed to have midwifed a Goldilocks economy.

No wonder, then, that Mr. Cameron concluded that the surest route back to power was to mimic the Blair strategy, repackaging the Tories as a kinder, gentler version of Margaret Thatcher's party. In this year's campaign, the Tory economic platform relies heavily on mercantilist promises to boost exports and "green" the economy. The closest it gets to a genuinely conservative idea is a promise to slash the corporate income-tax rate to 25% "or lower" from 28%, in order to revitalize business investment and job creation. It has sworn off rolling back Labour's new 50% top marginal income-tax rate immediately for equity reasons, even though the hike doesn't take effect until April 1.

Yet a strategy originally conceived when Mr. Cameron and his shadow Chancellor George Osborne could speak of "spread[ing] the fruits of prosperity" seems oddly irrelevant in 2010, when growth is zero or negative, budget deficits are set to top 10% of GDP this year and next, and unemployment continues to rise. Mr. Cameron, in short, has been caught trying to convince the country that the Tories, if elected, would act more like Labour at just the moment that Labour's policies have been exposed as a failure.

There are no permanent victories in democratic politics, even if New Labour's long ascendancy had until recently made it seem that way. Mr. Cameron's mistake has been to paint his party a paler shade of Brown at the very moment when the weaknesses of Labour is being exposed by the economic downturn. That's a pity for the Tories, and all the more so for a British electorate that is hungering for—dare we say it?—change.

The ObamaCare Writedowns

It's been a banner week for America's Democrats: ObamaCare passed Congress in its final form on Thursday night, and the returns are already rolling in. Friday AT&T announced that it will be forced to make a $1 billion writedown due solely to the health bill, in what has become a wave of such corporate losses.

This wholesale destruction of wealth and capital came with more than ample warning. Turning over every couch cushion to make their new entitlement look affordable under Beltway accounting rules, Democrats decided to raise taxes on companies that do the public service of offering prescription drug benefits to their retirees instead of dumping them into Medicare. We and others warned this would lead to AT&T-like results, but like so many other ObamaCare objections Democrats waved them off as self-serving or "political."

Perhaps that explains why the Administration is now so touchy. Commerce Secretary Gary Locke took to the White House blog to write that while ObamaCare is great for business, "In the last few days, though, we have seen a couple of companies imply that reform will raise costs for them." In a Thursday interview on CNBC, Mr. Locke said "for them to come out, I think is premature and irresponsible."

> The corporate damage rolls in, and Democrats are shocked!

Meanwhile, Henry Waxman and House Democrats announced Friday that they will haul these companies in for an April 21 hearing because their judgment "appears to conflict with independent analyses, which show that the new law will expand coverage and bring down costs."

In other words, shoot the messenger. Black-letter financial accounting rules require that corporations immediately restate their earnings to reflect the present value of their long-term health liabilities, including a higher tax burden. Should these companies have played chicken with the Securities and Exchange Commission to avoid this politically inconvenient reality? Democrats don't like what their bill is doing in the real world, so they now want to intimidate CEOs into keeping quiet.

As Joe Biden might put it, this is a big, er, deal for shareholders and the economy. The consulting firm Towers Watson estimates that the total hit this year will reach nearly $14 billion, unless corporations cut retiree drug benefits when their labor contracts let them.

The Democratic political calculation with ObamaCare is the proverbial boiling frog: Gradually introduce a healthcare entitlement by hiding the true costs, hook the middle class on new subsidies until they become unrepealable, but try to delay the adverse consequences and major new tax hikes so voters don't make the connection between their policy and the economic wreckage. But their bill was such a shoddy, jerry-rigged piece of work that the damage is coming sooner than even some critics expected.

OPINION

'Basically an Optimist'—Still

[Journal Interview] with Gary Becker

BY PETER ROBINSON

The Nobel economist says the American people can be trusted to vote for limited government in November.

Stanford, Calif.

"No, no. Not at all."

So says Gary Becker when asked if the financial collapse, the worst recession in a quarter of a century, and the rise of an administration intent on expanding the federal government have prompted him to reconsider his commitment to free markets.

Mr. Becker is a founder, along with his friend and teacher the late Milton Friedman, of the Chicago school of economics. More than four decades after winning the John Bates Clark Medal and almost two after winning the Nobel Prize, the 79-year-old occupies an unusual position for a man who has spent his entire professional life in the intensely competitive field of economics: He has nothing left to prove. Which makes it all the more impressive that he works as hard as an associate professor trying to earn tenure. He publishes regularly, carries a full-time teaching load at the University of Chicago (he's in his 32nd year), and engages in a running argument with his friend Judge Richard Posner on the "Becker-Posner Blog," one of the best-read Web sites on economics and the law.

When his teaching schedule permits, Mr. Becker visits the Hoover Institution, the think tank at Stanford where he has been a fellow since 1988. The day he and I meet in his Hoover office, Mr. Becker has already attended a meeting with former Treasury Secretary Hank Paulson and spent several hours touring Apple headquarters down the road in Cupertino with his wife, Guity Nashat, a historian of the Middle East, and their grandson. "I guess you'd call our grandson a computer whiz," he explains proudly. "He's just 14, but he has already sold a couple of apps."

I begin with the obvious question. "The health-care legislation? It's a bad bill," Mr. Becker replies. "Health care in the United States is pretty good, but it does have a number of weaknesses. This bill doesn't address them. It adds taxation and regulation. It's going to increase health costs—not contain them."

Drafting a good bill would have been easy, he continues. Health savings accounts could have been expanded. Consumers could have been permitted to purchase insurance across state lines, which would have increased competition among insurers. The tax deductibility of health-care spending could have been extended from employers to individuals, giving the same tax treatment to all consumers. And incentives could have been put in place to prompt consumers to pay a larger portion of their health-care costs out of their own pockets.

"Here in the United States," Mr. Becker says, "we spend about 17% of our GDP on health care, but out-of-pocket expenses make up only about 12% of total health-care spending. In Switzerland, where they spend only 11% of GDP on health care, their out-of-pocket expenses equal about 31% of total spending. The difference between 12% and 31% is huge. Once people begin spending substantial sums from their own pockets, they become willing to shop around. Ordinary market incentives begin to operate. A good bill would have encouraged that."

Despite the damage this new legislation appears certain to cause, Mr. Becker believes we're probably stuck with it. "Repealing this bill will be very, very difficult," he says. "Once you've got a piece of legislation in place, interest groups grow up around it. Look at Medicare and Medicaid. Originally, the American Medical Association opposed Medicare and Medicaid. Then the AMA came to see them as a source of demand for physicians' services. Today the AMA supports Medicare and Medicaid as staunchly as anyone. Something like that will happen with this new legislation."

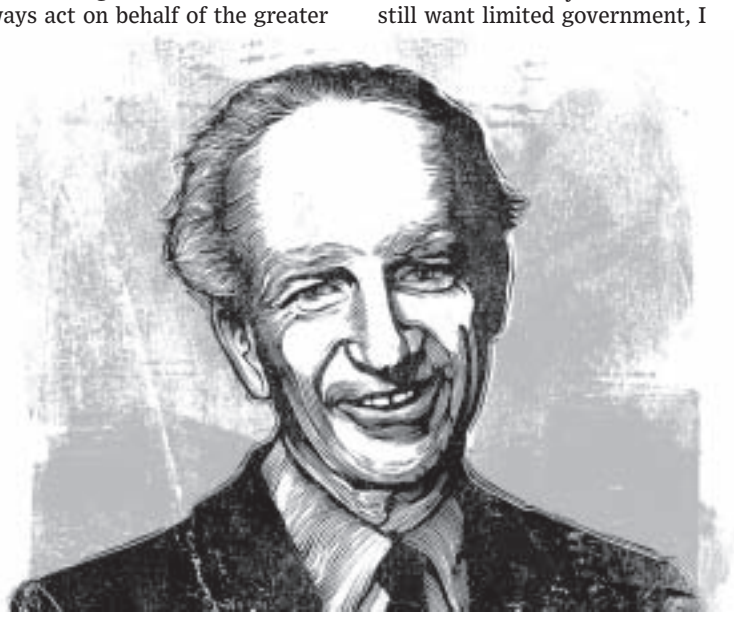
Bad legislation, maintained by self-seeking interest groups. Back in 1982, I remind Mr. Becker, the economist Mancur Olson published a book, "The Rise and Decline of Nations," predicting just that trend. Over time, Olson argued, interest groups would form to press for policies that would almost invariably prove protectionist, redistributive or antitechnological. Policies, in a word, that would inhibit economic growth. Yet since the benefits of such policies would accrue directly to interest groups while the costs would be spread across the entire population, very little opposition to such self-seeking would ever develop. Interest groups—and bad policies—would proliferate, and the nation would stagnate.

Olson may have sketched his portrait during the 1980s, but doesn't it display a remarkable likeness to the United States today? Mr. Becker thinks for a moment, swiveling toward the window. Then he swivels back. "Not necessarily," he replies.

"The idea that interest groups can derive specific, concentrated benefits from the political system—yes, that's a very important insight," he says. "But you can have competing interest groups. Look at the automobile industry. The domestic manufacturers in Detroit want protectionist policies. But the auto importers want free trade. So they fight it out. Now sometimes in these fights the dark forces prevail, and sometimes the forces of light prevail. But if you have competing interest groups you don't end up with a systematic bias toward bad policy."

Mr. Becker places his hands behind his head. Once again, he reflects, then smiles wryly. "Of course that doesn't mean there isn't any systematic bias toward bad policy," he says. "There's one bias that we're up against all the time: Markets are hard to appreciate."

Mr. Becker explains: "People tend to impute good motives to government. And if you assume that government officials are well meaning, then you also tend to assume that government officials always act on behalf of the greater good. People understand that entrepreneurs and investors by contrast just try to make money, not act on behalf of the greater good. And they have trouble seeing how this pursuit of profits can lift the general standard of living. The idea is too counterintuitive. So we're always up against a kind of in-built suspicion of markets. There's always a temptation to believe that markets succeed by looting the unfortunate."



Zina Saunders

As he speaks, Mr. Becker appears utterly at ease. He wears loose-fitting clothes and slouches comfortably in his chair. His hair, wispy and white, sets off his most striking feature—penetrating eyes so dark they seem nearly black. Yet those dark eyes display not foreboding, but contentment. He does not have the air of a man contemplating national decline.

* * *

I read aloud from an article by historian Victor Davis Hanson that had appeared in the morning newspaper. "[W]e are in revolutionary times," Mr. Hanson argues, "in which the government will grow to assume everything from energy to student loans." Next I read from a column by economist Thomas Sowell. "With the passage of the legislation allowing the federal government to take control of the medical system," Mr. Sowell asserts, "a major turning point has been reached in the dismantling of the values and institutions of America."

"They're very eloquent," Mr. Becker replies, his equanimity undisturbed. "And maybe they're right. But I'm not that pessimistic." The temptation to view markets with suspicion, he explains, is just that: a temptation. Although voters might succumb to the temptation temporarily, over time they know better.

"One of the points Secretary Paulson made earlier today was how outraged—how unexpectedly outraged—the American people became when the government bailed out the banks. This belief in individual responsibility—the belief that people ought to be free to make their own decisions, but should then bear the consequences of those decisions—this remains very powerful. The American people don't want an expansion of government. They want more of what Reagan provided. They want limited government and economic growth. I expect them to say so in the elections this November."

Even if ordinary Americans still want limited government, I ask, what about those who dominate the press and universities? What about the molders of received opinion who claim that the financial crisis marked the demise of capitalism, rendering the Chicago school irrelevant?

"During the financial crisis," he replies, "the government and markets—or rather, some aspects of markets—both failed."

The Federal Reserve, Mr. Becker explains, kept interest rates too low for too long. Freddie Mac and Fannie Mae made the mistake of participating in the market for subprime instruments. And as the crisis developed, regulators failed to respond. "The Fed and the Treasury didn't see the crisis coming until very late. The SEC didn't see it at all," he says.

"The markets made mistakes, too. And some of us who study the markets made mistakes. Some of my colleagues at Chicago probably overestimated the ability of the Fed to smooth disruptions. I didn't write much about the Fed, but if I had I would probably have overestimated the Fed myself. As the banks developed new instruments, economists paid too little attention to the systemic risks—the risks the instruments posed for the whole financial system—as opposed to the risks they posed for individual institutions.

"I learned from Milton Friedman that from time to time there are going to be financial problems, so I wasn't surprised that we had a financial crisis. But I was surprised that the financial crisis spilled over into the real economy. I hadn't expected the crisis to become that bad. That was my mistake."

Once again, Mr. Becker reflects. "So, yes, we economists made mistakes. But has the experience of the past few years invalidated the finding that markets remain the most efficient means for producing economic growth? Not in any way.

"Look at growth in developed countries since the Second World War," he continues. "Even after you take into account the various recessions, including this one, you still end up with a good record. So even if a recession as bad as this one were the price of free markets—and I don't believe that's the correct way of looking at it, because government actions contributed so greatly to the current problem—but even if a bad recession were the price, you'd still decide it was worth paying.

"Or look at developing countries," he says. "China, India, Brazil. A billion people have been lifted out of poverty since 1990 because their countries moved toward more market-based economies—a billion people. Nobody's arguing for taking that back."

My last question involves a little story. Not long before Milton Friedman's death in 2006, I tell Mr. Becker, I had a conversation with Friedman. He had just reviewed the growth of spending that was then taking place under the Bush administration, and he was not happy. After a pause during the Reagan years, Friedman had explained, government spending had once again begun to rise. "The challenge for my generation," Friedman had told me, "was to provide an intellectual defense of liberty." Then Friedman had looked at me. "The challenge for your generation is to keep it."

* * *

What was the prospect, I asked Mr. Becker, that this generation would indeed keep its liberty? "It could go either way," he replies. "Milton was right about that."

Mr. Becker recites some figures. For years, federal spending remained level at about 20% of GDP. Now federal spending has risen to 25% of GDP. On current projections, federal spending would soon rise to 28%. "That concerns me," Mr. Becker says. "It concerns me a great deal.

"But when Milton was starting out," he continues, "people really believed a state-run economy was the most efficient way of promoting growth. Today nobody believes that, except maybe in North Korea. You go to China, India, Brazil, Argentina, Mexico, even Western Europe. Most of the economists under 50 have a free-market orientation. Now, there are differences of emphasis and opinion among them. But they're oriented toward the markets. That's a very, very important intellectual victory. Will this victory have an effect on policy? Yes. It already has. And in years to come, I believe it will have an even greater impact."

The sky outside his window has begun to darken. Mr. Becker stands, places some papers into his briefcase, then puts on a tweed jacket and cap. "When I think of my children and grandchildren," he says, "yes, they'll have to fight. Liberty can't be had on the cheap. But it's not a hopeless fight. It's not a hopeless fight by any means. I remain basically an optimist."

Mr. Robinson, a former speechwriter for President Ronald Reagan, is a fellow at Stanford University's Hoover Institution.

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OPINION

Killing Postal Reform Won't Help Japan

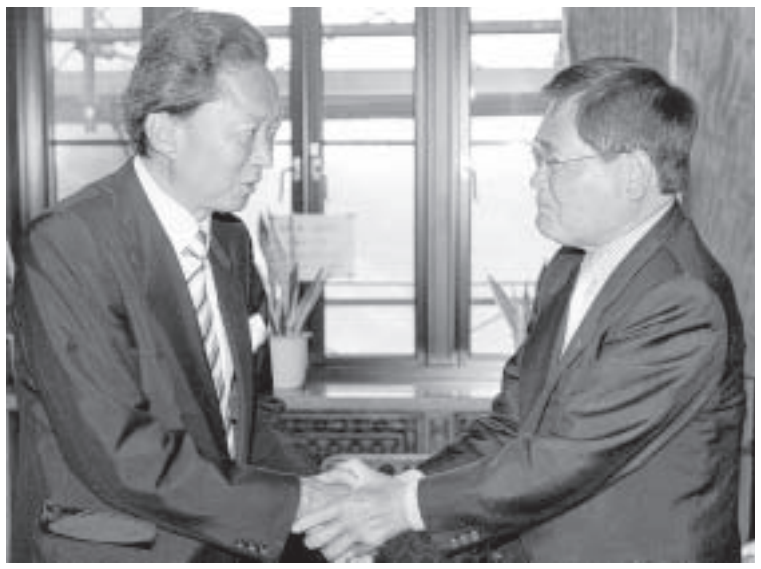
By George Melloan

It was perhaps inevitable that the opponents of Junichiro Koizumi's 2007 privatization of the Japanese postal savings system would some day regain power and scuttle his bold reform. Indeed, that was one of the first moves by the Democratic Party of Japan when it ended the postwar dominance of Mr. Koizumi's Liberal Democratic Party in the general election last summer. LDP defectors who had opposed privatization aided the DPJ victory.

Postal service privatization, intended to proceed gradually over 10 years, was halted last November by the DPJ. Last week the government of Yukio Hatoyama announced that the state will not complete privatization but instead will retain a controlling interest in Japan Post Holding Co. Moreover, it will try to expand the system by doubling the limit on the size of postal savings accounts and nearly doubling the ceiling on postal insurance policies.

While cloaked in populist cant, these measures are coldly calculated. Populist governments need money—lots of it—and for decades before Mr. Koizumi embarked on reform, the postal savings system provided the government with cheap financing. A high percentage of its massive $3.3 trillion in assets are government bonds.

Proof of an urgent need for more money accompanied the news that the postal system will remain in government hands. The DPJ announced a $1 trillion "stimulus" budget for the coming fiscal year, of which nearly half will



Associated Press

Banking Minister Shizuka Kamei has a strong grip on the prime minister.

have to be financed with borrowing. No wonder Japanese savers will be encouraged to double the size of their postal accounts. Such accounts will continue to yield only a tiny fraction of a percentage point in interest (although the yield is more in real terms because of Japanese deflation). And no wonder the government wants to retain control of a system that has enabled it to run up the highest national debt of any industrial country, a stack of IOUs double the size of the country's total annual production, or GDP. By contrast, the Obama administration, which is also on a reckless borrowing binge, has only managed to push the U.S. government's debt held by the public up to 53% of GDP so far. But give them time.

Postal accounts in Japan for years attracted millions of small savers with their convenience and safety, despite the niggardly return on investment. The high Japanese savings rate, attributable to relatively modest living arrangements and a limited old age safety net, has enabled Japan to finance its huge government debts domestically without resort to borrowing from abroad. Only about 4% of Japan's debt is in foreign hands, compared to 48% of tradable U.S. government securities.

But the DPJ's efforts to turn back the clock to the glory days of the LDP spend-and-elect machine may prove to be far harder than its strategists now think. The Japan of today is not the Japan of 25 years ago and postal savings is no longer the cash cow it once was. As the Japanese population ages, more and more elderly savers are cashing out their accounts to meet living costs, which gives the postal system less capacity to buy government debt. More importantly the Japanese are becoming more sophisticated about investment, have a far greater diversity of opportunities and are finding alternatives to post office accounts. Mutual funds that invest in significantly higher yielding foreign securities are doing a brisk business with the Japanese public.

Japan's financing strategy has other weaknesses. The government has managed to keep the yen strong despite its heavy borrowing not only because of its high savings rate but also its ability to build up a huge foreign currency reserve through its traditional focus on producing for export. It recently surpassed $1 trillion in reserves, second only to China.

But like China, Japan has good reason to worry about whether its huge dollar bet will retain its value. The dollar is looking less and less sound as the present U.S. Congress and administration prove to be just as reckless in public spending as Japanese governments have been in the past. "Stimulus" programs in the U.S. are working about as well as they have in Japan, which is to say not at all. And unlike the Japanese, the Americans don't have a big foreign currency kitty and a high savings rate to protect their currency from losing value. Japan's dollar bet is looking shakier as debt rating agencies threaten to downgrade the triple-A rating on U.S. Treasury securities.

Japan's central bank is acknowledging the yen-dollar mismatch by cranking out more yen to weaken its value relative to the dollar. The implications of this measure are yet to be seen, but obviously the Bank of Japan believes it is a safe move at a time when Japan is experiencing deflation. Keeping up with dollar devaluation might prove to be quite a chore, however, if the U.S. continues its present course.

And then there is the question of how popular the government's latest measures are with the Japanese people. A more sophisticated Japanese public is far more aware than in the past of how the postal savings system exploited small savers for so many years. That awareness derives partly from Mr. Koizumi's success in gaining support for his reforms. The Japanese press has been less than enthusiastic about the interruption of the privatization program. Banks and insurance companies that were promised a more level playing field when the government got out of their business have been complaining loudly. And Mr. Hatoyama's government has shown little sign that it has better answers for Japan's economic weakness than the government it replaced. Certainly trying to keep savings under government control is not such an answer.

Turning back the clock has a certain appeal for Japan's old-line LDP politicians and the leftists who have given their support to the DPJ. But from the outside looking in it is uninspiring.

Mr. Melloan, a former columnist and deputy editor of the Journal editorial page, is author of "The Great Money Binge: Spending Our Way to Socialism" (Simon & Schuster, 2009).

Courting Pakistan

By Shuja Nawaz

The United States and Pakistan is the world's oddest couple, with an on-again, off-again friendship that has survived since the 1950s. Last week both sides completed a "strategic dialogue" in Washington amid fears that they were headed for another break-up. Those fears can only be countered if both the U.S. and Pakistan keep the larger goal in mind: the development of a stable, secure and prosperous Pakistan.

Last week's dialogue reiterated common goals on some key issues, including energy, infrastructure, agriculture and trade. But the hard issues—the Afghan Taliban operating inside Pakistani space, the Pakistan-India conflict over Kashmir, and Islamabad's wish for a civil nuclear deal similar to the one given to India—were politely avoided in public commentary.

Part of the problem is Pakistan's wariness of U.S. intentions. As the late Pakistani dictator General Zial ul Haq once explained to his ambassador in Washington, Jamsheed Marker: "Being friends with the United States is like living on the banks of a great river. Every four years it changes course, and leaves you either flooded, or high and dry!" The U.S. showers aid and attention on Pakistan when it suits its strategic interests in the region and then leaves. Pakistan meanwhile seeks security against a larger and potentially hostile neighbor to the east: India. Each pretends to meet the other's needs while papering over differences.

The U.S., on its part, sees a deceptive ally in Pakistan; one which seeks aid to use it for defense against India while pretending to meet U.S. regional aims. The Obama administration is attempting to craft a new, longer-term relationship with Pakistan, and American officials travel frequently to the country and return praising the relationship effusively. But it is hard to distinguish their attempts to proclaim success for their individual missions from the reality on the ground.

The passage of the Kerry-Lugar Bill that promises at least $7 billion of aid to Pakistan over five years should have been a good omen, but Pakistani military and public opposition to the bill has put a crimp in the relationship, adding to the public perception of the U.S. as an intrusive and overbearing friend. The army high command, confident after its recent successes against its internal militancy and buoyed by public approval of its actions, recently revived the dialogue with the U.S. on its terms. Army Chief General Ashfaq Parvez Kayani chose to focus on high visibility, high impact projects that would meet the country's urgent energy and infrastructure needs, rather than dissipating its effect on a wide range of softer social sector projects with longer gestation periods.

To a large extent, Gen. Kayani's actions appeared to be in accord

Last week's strategic dialogue with the U.S. was a good step forward.

with some of the targets set by Special Representative for Afghanistan and Pakistan Richard Holbrooke. However, the real test will be in Pakistan's ability to set up an effective governance framework to implement the projects rapidly and without leakage of benefits to the traditional elites that suck up assistance for their own benefit. If most of the aid begins to reach average Pakistanis, then the U.S. and Pakistan could build on this new structure. If not, then the U.S. Congress likely will call in its auditors and cut off the flow.

One piece of good news has been the rapid provision of aid for key road-building projects in South Waziristan that have been undertaken via the FATA Development Authority by the Pakistan army's Frontier Works Organization. Secretary of State Hillary Clinton is reported to have helped push this aid through after her exchanges with Gen. Kayani, who came up with this idea. If this project model succeeds, much more could be done in the frontier areas by bringing the locals on board to help identify and implement necessary projects.

General Kayani is clearly trying to build bridges with the U.S. as a necessary ally. But the officer corps still harbors residual mistrust. To remove it, Pakistan must improve its civil governance by taking ownership of its project plans, setting targets and achieving them. The U.S. must deliver what Pakistan needs rapidly, and without too much intrusive monitoring that many Pakistanis fear is secretly designed to identify the location of Pakistan's strategic nuclear assets. The U.S. must also give the Pakistan military more usable weapons to fight its militancy. And it must use its influence on India to give Pakistan breathing room, so it can concentrate on the war within rather than stay ready for action on two fronts, one against India and the other on the Afghan border. Opening U.S. markets to Pakistani textiles and other goods will also help in the near term.

In the longer run, Pakistan needs help to move up the economic value chain and into manufacturing goods. With its growing population, it needs GDP growth of 6% or more each year to keep improving the lives of its 175 million inhabitants, half of whom are below 18 years of age. That growth depends on foreign investment, which is critically dependent on security and good governance, both of which have been in short supply in recent years. But Pakistan must also avoid becoming dependent on aid or ceding its sovereignty in the process of acquiring aid. As its first military dictator, Mohammad Ayub Khan, put it bluntly: Pakistan needs "friends not masters." What happens after the strategic dialogue in Washington will help prove the truth of that statement.

Mr. Nawaz is director of the Atlantic Council's South Asia Center in Washington and the author of "Crossed Swords: Pakistan, Its Army, and the Wars Within" (Oxford 2008).

IN DEPTH

Reynolds faces tough test with smokeless products

Company's push comes amid intensifying debate in U.S. about how oral forms of tobacco should be regulated

By David Kesmodel
Winston-Salem, N.C.

During board meetings, Reynolds American Inc. Chief Executive Susan Ivey likes to suck on dissolvable smokeless-tobacco strips to get her nicotine fix. She's hoping to tempt millions of smokers to follow her lead.

Confronted with the inexorable decline of cigarette sales, Reynolds is transforming itself into a company that also offers an array of smokeless alternatives—including strips, lozenges and snuff.

Reynolds' push into the products comes amid an intensifying debate among public-health professionals about how oral forms of tobacco should be regulated. Some tobacco-control advocates, including the Campaign for Tobacco-Free Kids, have criticized Reynolds' dissolvable products as nicotine candies designed to appeal to children.

Now the U.S. Food and Drug Administration is weighing in. It has asked Reynolds by Thursday to provide its research into how the dissolvable products are used and perceived by people 25 and younger. In a February letter to Reynolds, Dr. Lawrence Deyton, director of the agency's Center for Tobacco Products, said the FDA is concerned that adolescents may be drawn to the products' "brightly colored packaging" and "easily concealable size."

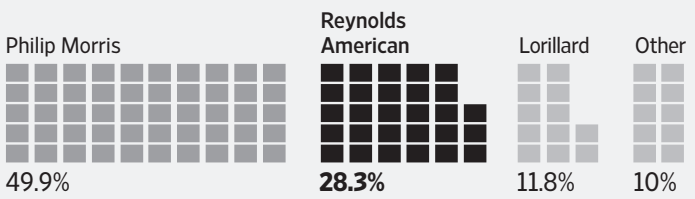
The ruling will be one of the first for the FDA, which is in the early stages of structuring the framework under which it will oversee the production and marketing of tobacco products. Last year, President Barack Obama signed legislation giving the FDA sweeping powers to regulate the tobacco industry.

Reynolds says it is cooperating and that its products are marketed for adults and sealed in child-proof packaging. Ms. Ivey, the company's 51 year-old CEO, views the new lineup as a way to prepare Reynolds for a world that is likely to include fewer smokers. "I believe these products can drive our sustainability into the future ," she says. "Having a forward vision is important." In the process, she's banking on support from scientists and public-health professionals who argue that lives could potentially be saved by encouraging smokers to switch to smokeless tobacco.

Middle of the pack

Reynolds American, the maker of the Camel brand, ranks No. 2 in cigarette market share in the U.S.

■ One percentage point



Source: the companies; photo by Bloomberg News

"It's a disservice to public health if we keep products off the shelf that are [safer] than cigarettes," says Scott Ballin, a longtime tobacco-control advocate who is the former legislative counsel for the American Heart Association. "To me, if we can come up with a better mousetrap, we should be considering those options."

About one in five American adults smokes today, down from one in three in 1980, according to the Centers for Disease Control. At the same time, around 70% of smokers say they want to quit, says the CDC. Reynolds is trying to keep them as customers by offering a variety of smokeless products that deliver nicotine, the main addictive ingredient in tobacco.

For a smokeless nicotine buzz, Reynolds offers Camel Snus, pouches of spit-free oral tobacco popularized in Sweden. The company is test-marketing Camel Orbs—tiny oval-shaped lozenges. Ms. Ivey's own preference is for Camel Strips, thin tobacco wafers that melt on the tongue after three minutes. Reynolds also recently acquired Swedish company Niconovum AB for $43 million—the first move by a big tobacco concern to market smoking-cessation aids. And, of course, the 135-year old company plans to keep selling its Camel, Pall Mall and other cigarette brands.

The company has other reasons to look beyond the traditional drag. Reynolds, with 28% of the U.S. cigarette market, ranks a distant second to Altria Group Inc.'s Philip Morris USA, with 50%. Reynolds also has little exposure to cigarette markets abroad, where sales trends are better and restrictions often looser. Altria, too, is betting big on smokeless products. The company this month is rolling out Marlboro Snus nationally, after testing the brand in several cities. Last year it bought the maker of Skoal and Copenhagen moist snuff.

"There's always two strategies: proactive and reactive," Ms. Ivey says in an interview in her office at Reynolds' headquarters here. "We've chosen a proactive path."

The hurdles are high. Reynolds and other tobacco companies figure that only about seven million Americans use smokeless tobacco, although sales of those products are rising. Last year, sales volumes for smokeless tobacco products rose about 7%, while cigarette volumes fell about 9%, according to industry estimates.

A big challenge, as the FDA's inquiry shows, is marketing the products. Although some groups, including the American Council on Science and Health, argue that smokeless tobacco is less harmful, and that smokers should be encouraged to switch to it, federal rules prohibit companies from marketing the products as a safer alternative to cigarettes.

Ms. Ivey, a smoker since college, is the first woman to run a major tobacco company. An extrovert, she sends congratulatory emails to employees who land promotions and is known to surprise low-level staffers by greeting them by name in the company cafeteria, say colleagues.

Her journey through the industry began by accident. In 1981, she was selling office equipment in Louisville when she called Brown & Williamson Tobacco Corp. to complain that she couldn't find its new cigarette—Barclay Menthol—in stores. The company happened to be recruiting salespeople and hired her a week later.

She scaled the ranks in sales and marketing and spent nearly a decade overseas for Brown & Williamson's parent, London-based British American Tobacco PLC. In 2001, Brown & Williamson, the No. 3 player in the U.S., named Ms. Ivey CEO. After her years abroad, she says she returned to the embattled U.S. market "with fresh eyes." Among other things, Ms. Ivey developed an interest in dissolvable-tobacco products.

In 2003, Brown & Williamson launched a test in Kentucky of a product called Interval, a dissolvable, mint-flavored smokeless tobacco lozenge the company had developed with an industry upstart, Star Scientific Inc. A year later, Brown & Williamson was acquired by R.J. Reynolds Tobacco Holdings Inc., and Reynolds canceled its pact with Star, saying the tests were unsuccessful. (Star, which sued Reynolds in 2001 in Maryland U.S. District Court over a separate patent issue, says it was surprised that Reynolds discontinued the project.)

Tapped as CEO of the newly named Reynolds American, Ms. Ivey embarked on a two-pronged strategy she called "total tobacco."

This called for the company to dramatically reduce costs in its cigarette operations

R.J. Reynolds Tobacco Company

Reynolds' array of smokeless tobacco products includes strips that dissolve on the tongue in minutes. They are apt to face tough marketing parameters under FDA rules.

and invest part of the savings in the smokeless tobacco category.

She has cut Reynolds' stable of cigarette products by nearly 600 items, or 70%, including "soft-pack" varieties of Kool, Winston and Doral. She outsourced payroll-processing and information technology and cut factory and white-collar jobs. Reynolds now employs about 6,400 people, 32% fewer than in 2004.

As Ms. Ivey was streamlining the cigarette business, she began to consider acquisitions in the smokeless tobacco arena. She made her first big move in 2006, buying Conwood Co., the maker of Grizzly moist snuff, for $3.5 billion.

That purchase was met with some resistance, as some executives worried the new business might distract management and further erode cigarette sales. "You could see it a lot through body language and conversations like, 'You mean, we are not going to sell cigarettes anymore?'," says Chief Financial Officer Tom Adams.

"There is always fear in the boardroom: Are you taking the eye off where the money is today?" Ms. Ivey says. But she saw opportunity.

At the time, industry sales volumes for smokeless tobacco were rising about 6% a year, while cigarette volumes were falling about 4%.

U.S. retail sales of smokeless tobacco were about $5.2 billion in 2008, up 34% from 2005, and are expected to grow to $6.5 billion in 2010, according to market-research firm Euromonitor International. Smokeless options also offer higher profit margins, owing partly to lower tax rates.

Soon after buying Conwood, Reynolds said it would test-market Camel Snus, a type of spitless tobacco popular in Sweden.

Last year, Reynolds went national with the product, priced between $5 and $6 per tin, and began testing three dissolvable tobacco products—Camel Orbs, Strips and Sticks—in several metropolitan areas. Ms. Ivey says the products are more appealing to women than snuff and chewing tobacco because they don't involve spitting.

Reynolds promotes them as options when lighting up is impractical or illegal.

Camel Snus, for instance, has advertisements in national magazines such as Maxim, encouraging readers to "Boldly Go Everywhere" with the "mess-free" product.

Matthew Myers, president of the Campaign for Tobacco-Free Kids in Washington, says ads for some Reynolds smokeless products suggests the company is trying "to give smokers a mechanism for maintaining their addiction when they work in smoke-free locations," which actually decreases "the incentive to quit."

Ms. Ivey says she doesn't think the products "are marketed in any way other than to give [consumers] choice."

Reynolds says Camel Snus is showing promise, though sales are modest so far.

The entire U.S. snus market, dominated by the Camel brand, was about 18 million cans last year, less than 2% of the volume of the moist snuff market, according to Morgan Stanley analyst David Adelman.

Analysts say smokeless sales would get a big boost if Reynolds had FDA permission to promote Camel Snus and its other smokeless products as safer alternatives to cigarettes.

That isn't likely to happen anytime soon.

The FDA has just recently set up various advisory committees that will make recommendations to the agency on how to decide what to do about various proposals, including reduced-harm applications.

According to the new federal tobacco law, companies must furnish scientific evidence that a product would reduce tobacco-related harm for individuals—and provide a net benefit to the U.S. population's health.

Reynolds has come under fire for making such claims in the past. Earlier this month, a Vermont state judge ruled that the company had made false and misleading marketing claims— going back a decade—in marketing its Eclipse brand cigarette. During the industry's unregulated era, ads had said the brand "may present less risk of cancer." The company had said that its ads were "supported by credible and reliable information."

About a year ago, Ms. Ivey and her board, which she chairs, began mulling another course of action. If the company was serious about giving tobacco users a full breadth of options, was it willing to offer them over-the-counter products to actually help them quit?

Tom Wajnert, Reynolds' lead independent director, says some board members were "a little skeptical." Eventually, he says, they agreed it was a "natural next step." Global industry sales of over-the-counter smoking-cessation products are about $2.1 billion a year, according to Euromonitor International.

Ms. Ivey set her sights on Niconovum AB, a Swedish maker of nicotine gums, sprays and pouches that was founded by psychologist Karl Olov Fagerstrom, an expert on nicotine dependence.

Niconovum has sought to distinguish its over-the-counter products from conventional quit-smoking aids by delivering nicotine more rapidly and efficiently, helping users feel more control over their cravings.

Reynolds bought Niconovum in December for $43 million. Currently, Niconovum's products are sold only in Sweden and Denmark. But Ms. Ivey says Reynolds is strongly considering filing for FDA approval to sell Niconovum's products in the U.S., where they would compete with such products as Nicorette gum and Commit lozenges sold by pharmaceutical giant GlaxoSmithKline PLC. Makers of quit-smoking aids must prove in clinical studies that the products are safe and effective.

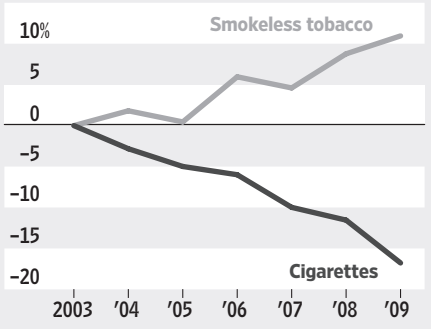
Ms. Ivey notes that Reynolds started more than a century ago as a maker of chewing tobacco—not cigarettes. "Who knows what the future holds?"

D.L. Anderson for the Wall Street Journal

Reynolds CEO Susan Ivey says smokeless tobacco products represent an important part of the company's future.

Shifting tastes

Cumulative change in U.S. unit sales of cigarettes and smokeless tobacco



Note: 2009 data are forecasts
Source: Euromonitor International

FROM PAGE ONE

Geely signs deal to buy Volvo from Ford

Continued from first page
of the third quarter—a push back from the original deadline to close the deal by the end of June.

Mr. Li's vision for Volvo is to radically slash the brand's costs for some of its primary activities, such as product-development and manufacturing, by tapping the relatively cheap labor available in China, people familiar with the situation say. On Sunday, Mr. Li said at a joint press conference he doesn't plan to merge Volvo and Geely. Volvo would remain as an independent brand, and Mr. Li would retain Volvo's current management team for the time being, he said.

Geely, one of China's biggest privately owned auto makers, is expected to face tough challenges in absorbing Volvo. It has little experience selling cars outside China, let alone running major manufacturing operations in a country as far away and as different from China as Sweden. Geely's lack of global stature, and its past reputation for making low-end vehicles, could be a drag on Volvo's reputation for quality and performance.

Despite their growing heft, Chinese companies have had limited success with overseas acquisitions. Even the biggest Chinese companies generally lack extensive international management experience, and they tend to have highly centralized corporate cultures that don't mesh easily with those of foreign companies. **Lenovo Group** Ltd., for example, struggled to integrate the personal-computer business of **International Business Machines** Corp.'s after it bought the operation in 2005, in what was then China's highest-profile overseas acquisition.

For Ford, a challenge will be pulling Volvo out of its operations, having deeply integrated the two since Volvo's purchase for $6.4 billion in 1999. In China, for example, Changan Ford Mazda Automobile Corp.—a joint venture among Ford, **Mazda Motor** Corp., and the **Chongqing Changan Automobile** Co.—produces the Volvo S40 and the S80 sedans.

"The intellectual property agreements are between Ford and Volvo," Mr. Booth said, adding that other uses of the technology, evidently for Geely, would be limited.

Mr. Booth said that Ford and Geely signed separate agreements covering intellectual property to aid Volvo's current business plan. But it was largely designed to address a fear that jointly developed technologies by Ford and Volvo will soon be in the hands of a Chinese company expected to become a direct Ford competitor in Europe and North America.

In 2007 Ford sold Aston Martin, and in 2008 the auto maker shed Jaguar Land Rover and a significant portion of its ownership in Mazda. Early last year, after months of speculation, Ford officially reported Volvo was for sale, and it recognized a pretax impairment charge of $650 million related to its total investment in the Swedish company.

As Ford neared the completion of the Volvo sale, the brand has been able to stem its losses, which had grown to more than a $1 billion in recent years. Volvo lost $934 million in 2009, down from $1.6 billion loss in 2008.

Volvo sales have suffered in recent years amid a downturn in the U.S. and Europe markets. Volvo sold 324,000 cars around the world in 2009, down 10% over 2008 figures. But Volvo expects the market to rebound and is scheduled to build 390,000 vehicles this year, according to Volvo Chief Executive Stephen Odell.

In the first two months of this year Volvo sales in the U.S. are up 40%.

Agence France-Presse/Getty Images

Geely chairman Li Shufu (left) and Ford chief financial officer Lewis Booth at the agreement on Sunday.

China moves ahead with vetting foreign deals

ZumaPress

A man sits in front of an advertisement for Coca-Cola in Shenzhen last April.

Continued from first page
reorganizing Chinese companies." In more-recent public comments, Mr. Wen has pledged to maintain foreign business confidence in China and to meet more regularly with international executives.

The government said in 2008 it would create a "joint ministerial meeting" system for investigating security concerns raised by foreign companies' acquisitions in China. The planned committee would include two of the ministries that currently review mergers—the National Development and Reform Commission and the Ministry of Commerce— as well as other agencies. Rules for how the system will function haven't been published yet.

China's government already has wide latitude to block merger deals and usually doesn't have to give a formal legal justification. Foreign transactions have gotten particularly close scrutiny since 2005, when the planned sale of construction-machinery maker **Xugong Group** to private-equity firm **Carlyle Group** generated a public outcry. That deal was eventually abandoned. Last year, Chinese regulators rejected a bid by **Coca-Cola** Co. for **China Huiyuan Juice Group** Ltd., saying it could crowd out smaller companies and raise consumer prices, even though the two combined held just a fifth of China's juice market.

Chinese officials have said it is appropriate for China to review mergers for national security concerns since many other countries already do so. National-security reviews by the U.S. and Australia have blocked or limited several planned Chinese acquisitions in recent years. But Chinese officials have also described security reviews as a way to maintain the position of key state-owned enterprises. "As a socialist country, China must put its own interests first when opening up and keep a firm hold on the right to lead core industries," Zhang Xiaoqiang, a vice chairman of the NDRC, said in a December speech that also called for speeding up work on the security-review system.

The joint-review system planned by China seems to resemble in some ways the Committee on Foreign Investment in the U.S., a 12-agency panel that checks foreign deals in the U.S. for security concerns. But a similar panel in China would be part of a government that has much greater direct influence on businesses than in the U.S. Recent trends haven't been encouraging for multinational companies seeking to do business in China.

A number of regulatory changes over the past several months, affecting industries from information technology to express delivery, have started to worry foreign businesses, said Myron Brilliant, vice president for Asia at the U.S. Chamber of Commerce. "The concern we have is whether China may be adopting policies that may make it difficult for foreign investors to compete in this market," he said.

There is little clarity how the planned security reviews—which would be separate from the anti-trust review that major deals must go through—would in practice affect foreign companies' deals in China. In the best-case scenario, lawyers say, it could allow security concerns to be aired in a more predictable and transparent fashion than they are now. In the worst case, the review would add another layer to what is already a very complex bureaucratic approval process.

No deal

Among foreign acquisitions in China that were called off:

Acquirer	Target	Price in millions	Date withdrawn
Sino Union Petroleum & Chemical International	Zhengzhou Zhongmei Energy	$619	2009 November
Evraz Group	Delong Holdings	$1,601	2009 August
Coca-Cola	Huiyuan Juice Group	$2,492	2009 March
Eurasian Natural Resources	Jiuquan Iron & Steel (Group)	$1,367	2009 March

Source: Dealogic

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For Brazil, It's Finally Tomorrow

How the country of the future has at last made it—and what remains to be done

By Paulo Prada

For the past century, Brazil has been a land of great potential—but few results. With runaway inflation and stratospheric national debt, the country was too much of a mess for anyone to take it seriously on the world stage.

How times have changed.

Consider this: In the face of the worst global economic crisis since the Great Depression, Brazil's economic output dipped a tiny 0.2% last year, and is expected to grow as much as 6% this year. Everyday Brazilians have been too busy buying washing machines, cars and flat-screen televisions to even notice the downturn.

Brazil is already the biggest economy in Latin America and the 10th-biggest in the world. By 2050, it will likely move into fourth place, leapfrogging countries including Germany, Japan and the U.K., according to a study by Goldman Sachs.

Clearly, Brazil has turned a corner—and is now a nation with the heft, ambition and economic fundamentals to become a world power. But the country has enormous challenges it must overcome before it can fully live up to its potential.

Its public sector is bloated and riddled with corruption. Crime is rampant. Its infrastructure is badly in need of repair and expansion. The business environment is restrictive, with a labor code ripped from the pages of Benito Mussolini's economic playbook. Brazil also risks patting itself on the back so much that it fails to see the colossal work that remains to be done.

"There's too much good happening at the moment for the country not to take advantage of it," says Ricardo Amorim, a well-known financial consultant in São Paulo. "Brazil has never had as much opportunity as it will have in the years ahead."

Big Promise

Brazil has always had a lot to live up to, simply because of its size. The country is bigger than the continental U.S. and has almost as many people as Germany, France and the U.K. combined. Yet except when it came to soccer and music, many Brazilians themselves tended to believe the notion—apocryphally attributed to Charles de Gaulle—that "Brazil is not a serious country."

Things started changing in the 1990s. The government adopted strict monetary policies and a laser-like focus on balancing the books. That fiscal prudence has given the country remarkable cash reserves—and breathing room during crises.

For instance, when the big downturn hit in 2008, private lending began to dry up. So the government, flush with cash reserves and the keys to an aggressive development bank, ordered state-run lenders to open the credit taps. The banks complied, lending out record amounts last year to Brazilians eager to join the country's quickly growing consumer class. Internal demand soared, softening the blow of the slowdown.

"This is a different Brazil than 10 years ago," President Luiz Inácio Lula da Silva boasted recently. Back then, he said, "the crisis in Greece would have already bankrupted Brazil."

What's more, there's now a political consensus to avoid the mistakes of the past. Until recently, elections in Brazil were considered make-or-break contests between irresponsible, populist proposals and the voices of investment, stability and growth. Now neither leading candidate from the right or left in October's election is expected to stray far from current economic

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ILLUSTRATION BY EDEL RODRIGUEZ

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For Brazil, It's Finally Tomorrow

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policies, a functional blend of pro-business market rules and social-welfare programs.

Even a pledge for a bigger state role in the economy by Dilma Rousseff, Mr. da Silva's outgoing chief of staff and his hand-chosen successor as the party's candidate, isn't scaring off the business community. "It's refreshing to have an election and see there's no fuss about either outcome," says Andrew Béla Jánszky, a Brazilian investment lawyer in the São Paulo office of Shearman & Sterling LLP. "For once, stability is almost a given."

The hard work has also enabled Brazil—already a leading exporter of iron ore, steel, coffee, soybeans, sugar and beef—to soar in sectors it once only dreamed about. After decades of research and investment, Brazil in 2007 discovered mammoth new oil beds beneath the Atlantic that are expected to double output in the coming years—generating billions of dollars in new revenue annually.

Cleaning House

The results of all these changes have been dramatic. The economic turnaround has pulled millions out of poverty and is creating a thriving middle class. For instance, Brazil's northeast, long the source of internal migration to more-prosperous cities down south, now outpaces the rest of the country in growth. Companies there are scrambling to train workers, many experienced only as field hands, to build cars, appliances and computer parts.

The country's promise is such that events that once rattled the faith of local and foreign investors are now taken largely in stride—be it the global financial meltdown or Mr. da Silva's bear hugs and backslaps with leaders of regimes in Havana, Tehran and Caracas.

But before Brazil can achieve its first-world ambitions, it must tackle big economic, legal and social deficiencies that have hobbled its development.

For one thing, even after sweeping reforms, the government's role in the economy remains relatively big. Government spending totals more than 20% of the country's gross domestic product, compared with about 15% in the U.S., 13% in China and 7% in Indonesia, another fast-growing emerging market, according to data compiled by Mosaico Economia Política, a Brazilian consultancy. The government trimmed as many as 150,000 jobs in the 1990s, but since then has taken on twice that number, according to research at Banco Santander, the Spanish bank that is one of Brazil's biggest foreign investors. Even with greater leeway to spend than ever before, government debt has begun to creep back up.

To help finance the growth in the size of government—and onerous pension and benefit plans—"the trend is likely to be in the direction of higher taxes, lower investments, and, thus, lower long-term growth," Santander said in the report. The spending growth comes as consumer demand is also surging, spurred on by state lending. That has caused inflation to rear its head once more—forcing the central bank to consider raising interest rates again.

"The government can't have it all," warns Eduardo Giannetti da Fonseca, an economist and professor at Insper Instituto de Ensino e Pesquisa, a business school in São Paulo. "You can't increase spending, private consumption and invest all at the same time, because something will eventually give."

Another problem is the restrictive business environment, especially strict labor laws that date back to the 1940s and were originally modeled on the statist policies of Mussolini.

Because it costs so much to start companies and hire workers, many entrepreneurs and businesses stay in the black market and pay workers informally. That creates a massive underground economy that, according to a 2005 study by McKinsey & Co., accounts for up to 40% of Brazil's gross domestic product, takes about half of all urban jobs and drags overall economic growth by as much as 1.5% annually.

The problem is palpable across Brazil, where underground commerce is on open display from city sidewalks to public buses to the festive beaches of Rio de Janeiro. "I'd rather have a real job, but it's a lot easier to get hired to do something like this," says Milton, a 28-year-old vendor of pirate software and DVDs in central São Paulo, who declined to give his last name. "There's plenty of this kind of work to go around."

Agencia Estado/Associated Press (top); Reuters (bottom)

Getting an education (top) and looking for a washing machine in São Paulo

Bad Connections

Yet another obstacle to growth is a lack of infrastructure—from roads, railways and bridges to docks, airports and pipelines. Like most everything else in the country, infrastructure investment fluctuated with the booms and busts of the past. Projects were launched when times were flush, only to sit neglected for decades.

Not only is much of it old and in disrepair, but Brazil's existing infrastructure is too small to handle the volume of people and goods currently using it—let alone accommodate new growth. The government this week is expected to announce the second phase of an ambitious "growth acceleration program" that it launched in 2007. The original plan foresaw infrastructure investments of some $342 billion, but many projects remain mired in bureaucracy. Contas Abertas, a not-for-profit research group that studies public spending, in a study this month said that only 11% of the projects outlined in the plan have been completed, while just over half have yet to be launched.

To casual observers, things will look better as Brazil gears up for hosting soccer's World Cup in 2014 and the Summer Olympics in Rio de Janeiro in 2016. New roads and airport terminals will be christened along with modernized stadiums and scenic, well-policed promenades. But manufacturers, exporters and shippers—who regularly wait days or weeks for backlogs in ports and customs facilities to clear—know Brazil needs more than just cosmetic changes.

Progress in other areas falls short, too. Crime is still a big problem in most cities and in lawless rural areas where ruthless prospectors, loggers and landowners at times ride roughshod over their neighbors. Those charged with enforcing the law are so underpaid that police routinely look the other way in exchange for a little extra money or commit serious human-rights abuses in efforts to solve problems that overburdened courts rarely can. Using the government's own statistics, a December report by Human Rights Watch disclosed that police in Rio and São Paulo together killed more than 1,000 people annually in recent years, many of them in execution-style "extrajudicial" killings.

Brazil's politicians and legislators often run afoul of the law, as well. The country's Federal Police, its most respected law-enforcement body and the agency charged with fighting corruption, currently has nearly 30,000 active investigations related to public corruption and fraud, according to a recent report. The deposed governor of Brasília, Brazil's capital, at the moment sits in jail awaiting trial over alleged kickbacks from public construction projects.

Then there's public education. Brazil has a popular welfare program that helps needy children by paying parents to keep them in school rather than send them out to help put food on the table. But schools themselves remain underfunded and the quality of education remains poor.

Outdated university statutes mean that the best colleges, which are public and free, get filled by wealthy students from private high schools, while poorer students, the products of public schools, get stuck paying for second-rate degrees at costly classrooms in strip malls and fly-by-night academies.

Mr. da Silva and his ministers, including Ms. Rousseff, admit that much still needs to be done. The work so far, they insist, has been about laying the groundwork for stability and thereby facilitating investment and growth in the future. Now that popular social programs have helped ease suffering for the critically poor—and disastrous fallout from the financial crisis was averted—the government can begin focusing on ways to ensure it builds upon more solid economic foundations.

"If the past year was about measures to stimulate consumption," Mr. da Silva said in a television address at the end of December, "now our emphasis is on reinforcing investments and thereby making the wheel of the economy roll in a healthy and sustainable way."

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Agencia Estado/Associated Press (left); Associated Press (right)

São Paulo's governor, José Serra, vaccinates a health professional for swine flu (above, left); Brazil's President Luiz Inácio Lula da Silva with Dilma Rousseff, his party's presidential candidate for 2010.

Don't Rock the Boat

As Brazilians get set to vote for a new president, the message is clear: We want more of the same

By Antonio Regalado

In a recent write-in poll, Brazilian voters had a clear favorite to be their next president come election time in October: Luiz Inácio Lula da Silva.

Brazil's immensely popular two-term president, known as "Lula," isn't eligible to run again. Unlike the leaders of South American countries like Bolivia and Venezuela, Mr. da Silva never rewrote the constitution to keep himself in office and sidestep term limits. Yet Brazilians' preference for Mr. da Silva sends a powerful message in this year's presidential race: Many Brazilians aren't looking for change.

The reason is that the nation's economy has finally stabilized. Inflation is low, wages are up. Brazilians can now buy a home and pay for it over 30 years, something that was impossible just a few years ago. In world affairs, Brazil is gaining respect and influence. Rio de Janeiro was picked to host the 2016 Summer Olympics.

"Brazil has never been so good as now," says Jesus Dias Ferreira, a 62-year-old resident of Rio de Janeiro. "There is a soccer saying, 'If a team is winning, don't change it.'"

Now the dilemma facing voters is which candidate is most likely to continue Mr. da Silva's legacy. Is it Dilma Rousseff, the onetime leftist radical who has never before run for public office, but is Mr. da Silva's hand-picked successor? Or her opponent, José Serra, the somber but capable governor of São Paulo, who belongs to the opposition Social Democrat party?

"People in Brazil are very content with the way things are going, so in some ways it will be a contest of who can best represent continuity," says Michael Shifter, vice president of the Inter-American Dialogue, a policy think tank in Washington, D.C.

For Riordan Roett, a Johns Hopkins University professor specializing in Latin America, the fact that Brazilians have to choose between two serious candidates is itself a major change. Until 1994, he says, Brazil's "presidents were feckless and totally impotent in terms of managing the country. Brazilians remember that and don't want to go backwards."

Mr. Regalado is a writer in São Paulo. He can be reached at **reports@wsj.com**.

Sharing the Glory

Both candidates can lay some claim to Brazil's prosperity. Mr. da Silva's Workers' Party, in power since 2003, has overseen the wave of prosperity and takes credit for it. But many key economic reforms, including a floating currency and inflation targets, were put in place by Social Democrats in the late 1990s, under former president Fernando Henrique Cardoso—for whom Mr. Serra was a cabinet minister. And neither party plans to reverse course on those economic reforms.

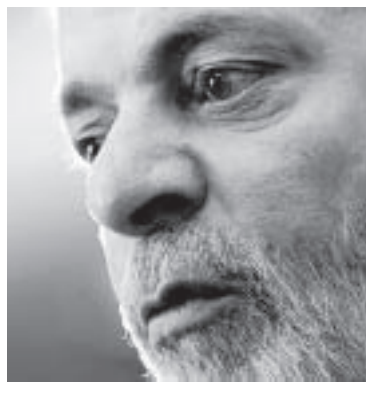
That means the election is likely to bring few surprises for investors, who have poured money into Brazil. "There isn't a lot of space for novelties in the macroeconomic approach," says Cristiano Noronha, an analyst at Arko Advice, a political consulting firm in Brasília.

Instead, in early negative attacks, each side has tried to paint the other as a threat to Brazil's progress. Last month, Mr. Cardoso told the Miami Herald that Ms. Rousseff is a politically inexperienced "authoritarian" who might pursue a far-left agenda. Mr. da Silva, meanwhile, has been bashing Mr. Serra's party as free-marketers who are to blame for privatizing some of Brazil's largest state-owned companies a decade ago—a move that many Brazilians still believe was a mistake.

Both candidates labor in the shadow of Mr. da Silva's immense charisma. According to pollster DataFolha, in December Mr. da Silva reached the highest approval ratings of his seven years in office, with 72% of Brazilians polled calling his work very good or good. Compared with Brazil's gregarious leader, Mr. Serra and Ms. Rousseff come across as rigid professionals.

Mr. da Silva has sought to transfer his popularity to Ms. Rousseff, his chief of staff, after tapping her as his successor last year. Since then, the two have appeared together constantly in public, so much so that a prankster in the state of Bahia tricked local officials into registering the pair as man and wife.

Ms. Rousseff has tried to move beyond her profile as a cold-hearted party apparatchik. She has tried an image makeover, including cosmetic surgery, but a recent battle with blood cancer appears to have done the most to soften her image. "With the illness, she changed on the inside. Now she will really think about other people's needs," says Florinete Pinto Cutrim, a middle-aged Brazilian leafing through political magazines at a newsstand.



Associated Press

Brazil's President Luiz Inácio Lula da Silva

Opposition congressman Luiz Paulo Vellozo Lucas blasts Ms. Rousseff's candidacy as "a laboratory creation." But the strategy seems to be working. After trailing Mr. Serra widely in polls, Ms. Rousseff nearly closed the gap in February, shortly after appearing in Rio's Carnaval parades dancing the samba. In a February speech formally announcing her candidacy, Ms. Rousseff said, "I never thought that life would bring me a challenge like this, but I feel prepared to take it on."

Playing Cagey

For his part, Mr. Serra, a U.S.-trained economist, delayed announcing his candidacy for weeks, a strategy that was dubbed "nerves of steel." Mr. Serra needed the time to weigh his chances, and square away political alliances, but the delay caused some to speculate he could drop out of the race to remain governor of São Paulo. At one point, Mr. Serra even refused to tell pop star Madonna during an hour-long meeting in February to discuss the singer's nonprofit educational project, Success for Kids.

Mr. Serra finally announced his candidacy in late March. It wouldn't be his first run at the presidency; Mr. Serra lost to Mr. da Silva in 2002, in part because of image problems. Next to the charismatic Mr. da Silva, Mr. Serra seemed uncomfortable and aloof. That's not such a liability this time, in part because of Ms. Rousseff's steely image.

Still, analysts say Mr. Serra faces a tricky task. He must seek ways to criticize Ms. Rousseff without being seen as attacking Brazil's popular president.

"Our polls show Brazilians are proud of the country, and have recaptured their self-esteem," says Mr. Vellozo Lucas, the Social Democrat congressman. He says his party will need to remind voters that Mr. Serra has been part of that transformation, including as leader of Brazil's most populous state. "The continuity we've enjoyed is not the property of the current government. They are not the owners of the sense that things are getting better."

In recent years, voter concerns have evolved in ways that could benefit Mr. Serra. Unemployment and inflation used to be the big worries. Now, with incomes rising, Brazil's overstretched health-care system and crime top voter concerns. Mr. Serra, who had a successful turn as health minister under Mr. Cardoso and oversaw a drop in crime in São Paulo, could dominate on those issues.

But Ms. Rousseff is expected to have an edge among Brazil's poor, particularly in the country's arid Northeast region. Under Mr. da Silva, a welfare program that sends payments of around $50 a month to Brazil's poorest families was expanded and now reaches nearly a quarter of the country's population. "We redistribute income, that is the difference between us and other governments," Ms. Rousseff said recently at a press conference.

The election might bring substantial changes in other areas, like foreign policy. Mr. da Silva has kept on friendly terms with nondemocratic leaders, including making photo ops with Fidel Castro and recently rolling out the red carpet for Iran's president.

Some in the U.S. fear that "if Dilma wins, it is a huge setback for Washington," says Mr. Shifter of the Inter-American Dialogue. He feels such worries are misplaced, since both Mr. Serra and Ms. Rousseff would likely pursue largely similar diplomatic strategies, with the differences being matters of nuance.

"Brazil sees itself as an important power that is a counterweight to the U.S. in the Western hemisphere" and a crucial player in trade and political alliances among the so-called BRIC nations of Brazil, Russia, India and China, he says. "That shapes their identity and is the role that they want to play in the world."

The Size of the State

But Brazil's election won't be decided on foreign questions. A major issue in the campaign so far is the size of the Brazilian state and the role it plays in the country's economy. Mr. Serra's party says its most important goal is to enforce more fiscal discipline on the government, which has swelled in size under Mr. da Silva, as his Workers' Party has hired more civil servants and kept taxes high.

Mr. da Silva has been unapologetic about building up the state machinery. His government has also intervened heavily in sectors such as telecommunications, using government cash to finance mergers and win more control over business decisions. Most recently, Mr. da Silva and Ms. Rousseff have sought to dramatically increase the federal ownership stake in **Petróleo Brasileiro**, the oil giant whose shares trade in São Paulo and New York.

"People are going to say Dilma [Rousseff] is a state-builder. But that isn't bad, it's good," Mr. da Silva said recently in a speech.

The tussle over the size and role of the state "is going to be one of the big themes of the election," predicts Mr. Noronha, the analyst. He thinks that debate could favor the Workers' Party and Ms. Rousseff. "Brazilians like a powerful state that intervenes."

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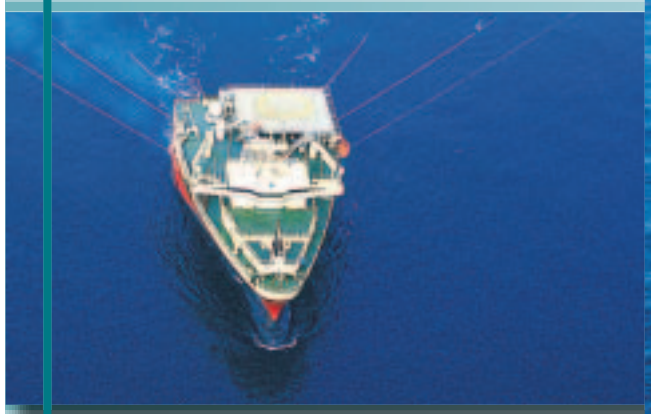

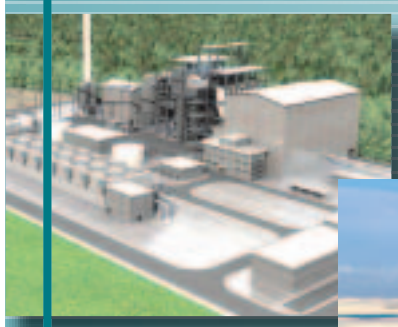

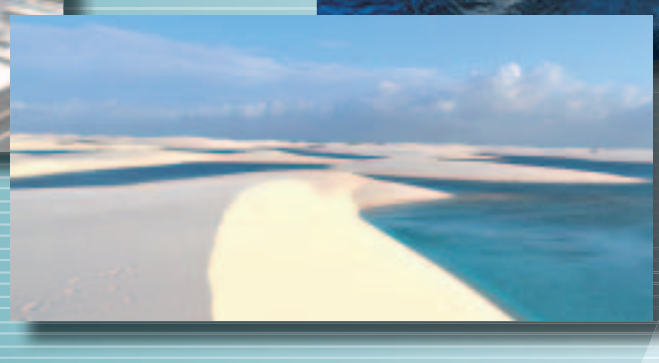

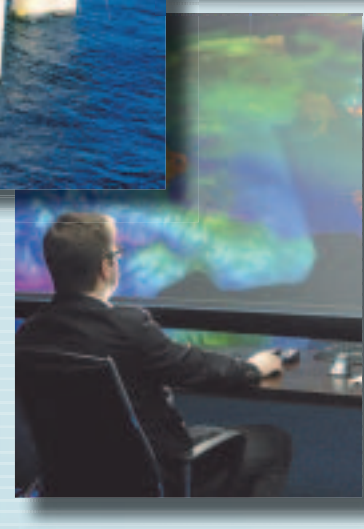

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MINING

Slipping on the Global Stage

Suddenly, what Brazil says and does matters abroad. But is the country ready for a starring role?

By John Lyons

SÃO PAULO—A year ago, U.S. President Barack Obama welcomed Brazil's charismatic leader, Luiz Inácio Lula da Silva, into the big leagues of global affairs by dubbing him "the most popular politician on Earth."

But while President da Silva remains hugely popular at home, he is discovering that global rock-star status is harder to maintain. In recent months, the 64-year-old former labor leader has been condemned by anti-Castro dissidents in Havana, shunned by Israel's foreign minister in Jerusalem, blasted by a human-rights group in Geneva, and admonished by U.S. and European leaders over Brazil's support of Iran's uranium-enrichment plans.

Some of these dings to his image are the inevitable byproduct of Brazil's growing importance on the world stage; after all, it's easy not to make mistakes when nobody cares much about what you say or do. But as the emerging giant's influence has soared, so has the global scrutiny given to its leaders.

Associated Press

President da Silva (center) visits Raúl and Fidel Castro in Havana in February

Taking the Lead

There's no question that Brazil is more of a player than it has ever been. It was instrumental in moving debate over global financial architecture out of the G7 forum of rich nations, and into the G20, which also includes Brazil, India and other emerging economies.

Brazil has grabbed a starring role in World Trade Organization talks, and in 2008 it helped defuse regional tensions after Colombia bombed a rebel camp on Ecuadorean soil. Brazil's military brought stability to Haiti after taking over peacekeeping in 2004, and is now on the front lines of earthquake recovery.

But a recent string of foreign-policy spinouts has raised new tensions with the U.S., and prompted soul searching in Brazil about whether its leaders are ready for global prime time.

"Perhaps it's our inexperience on the world stage, combined with the Lula government's eagerness to project the country's geopolitical weight at all costs, that led us to commit a cascade of mistakes and take up a reckless path," Otavio Frias Filho, director of the moderate Folha de São Paulo newspaper, wrote in a recent editorial.

For example, Brazil is developing a reputation as indifferent to human-rights abuses—surprising for a peaceful democracy that shed a military dictatorship in 1985.

"Outside of nondemocratic countries like China, Brazil has become the biggest obstacle nation to advancing universal human rights and freedoms," says José Miguel Vivanco, the Americas director at Human Rights Watch.

Under a strategy to forge ties to poor nations, Brazil has abstained or watered down United Nations human-rights resolutions targeting the likes of Sri Lanka, North Korea and the Democratic Republic of Congo.

Consider President da Silva's behavior in Havana in February, a day after a political prisoner died from an 86-day hunger strike. Photographed joking around with Fidel Castro, he defended Cuba's right to lock up political opponents, and has compared dissident hunger strikers to common criminals.

Taking the side of a dictator over a hunger striker seems strange for someone with Mr. da Silva's résumé. As a union leader, he staged strikes against Brazil's 1970s military regime. His rise from poverty to the presidency has garnered a deep reservoir of global goodwill.

Blaming the Left

Roberto Abdenur, Mr. da Silva's onetime ambassador to the U.S., says the government's defense of countries like Cuba at the expense of its human-rights record is more evidence that its foreign policy has been taken over by left-wing ideologues in Mr. da Silva's Workers' Party—a trend, he says, that could worsen if the party holds on to the presidency in elections this year.

In response, Brazilian officials insist that Mr. da Silva is mum on human rights because of a stated policy of not intervening in the internal affairs of other nations. (Though attacking Cuban dissidents is an intervention by any standard, activists like Mr. Vivanco point out.)

Government officials also argue that the country can boost its global relevance by keeping good relations with all nations, hoping that its position as a peaceful country with no enemies can help bridge gaps in global rivalries.

Critics say the strategy is backfiring. They argue that it paints Brazil as amoral, and unable to grasp the seriousness of some global issues. Not to mention that it may prove impossible to stay on everyone's good side.

The strategy is being tested by Brazil's engagement of Iranian President Mahmoud Ahmadinejad. Brazil opposes United Nations sanctions meant to deter Iran from building a nuclear bomb, arguing that the sanctions could backfire.

Mr. da Silva drew sharp criticism world-wide by welcoming Mr. Ahmadinejad to Brazil just after the snubbed leader ordered a deadly crackdown on marchers protesting his re-election. "Brazil is going to do everything necessary to establish the best relations with all of the countries of the world, and Iran is one of them," Mr. da Silva said.

Honduran Debacle

Meanwhile, in some cases, Brazil has appeared simply out of its depth.

Consider Brazil's role in the aftermath of last year's coup in Honduras. Disregarding its stated policy of staying out of other nations' affairs, Brazil jumped into the fray in the hopes of restoring the ousted president, Mel Zelaya.

But Brazil lost its footing as a broker after allowing Mr. Zelaya and scores of supporters to bunk up at the Brazilian embassy. Mr. Zelaya gave fiery speeches from the balcony by day, while claiming Israeli mercenaries were attacking him with high-frequency rays by night.

Brazilian diplomats were sidelined as Honduras moved toward elections. "At the end of the day, the Honduras thing blew up in their faces," says Thomaz Zanotto, who directs foreign policy for Fiesp, Brazil's biggest manufacturing industry association.

Undaunted by the Honduras experience, Brazil is pushing for a role resolving conflicts in the Middle East. Brazil has credibility partly because Arab and Jewish immigrants live peacefully in Brazil, officials say.

But Mr. da Silva's mediator potential hit bumps on a Middle East tour this month. Upset the Brazilian didn't visit a key grave, Israeli Foreign Minister Avigdor Lieberman boycotted Mr. da Silva's appearances. Brazil says the snub reflects Israeli rivalries, not Brazilian diplomacy. Later, Palestinian Authority leader Mahmoud Abbas declined Brazil's offer to talk with local rivals Hamas.

"Brazil is on the agenda in ways it never has been before," says Leslie Bethell, a historian and senior fellow at the Woodrow Wilson Center's Brazil Institute in Washington. "But sometimes there's a sense of exaggeration and overenthusiasm, the view that Brazil can now play a role in every dispute, even resolve the Middle East crisis."

Mr. Lyons is a staff reporter for The Wall Street Journal in São Paulo. He can be reached at **john.lyons@wsj.com**.

Banking on Growth

BTG Pactual is one of the top investment banks in Brazil. Its ambitions go far beyond that, though.

By John Lyons

SÃO PAULO—If it's Sunday night, then the senior partners of **BTG Pactual** are likely gathered at the local home of Chief Executive André Esteves, plotting how to turn the Brazilian investment bank into Latin America's Goldman Sachs.

The regular meetings are coffee-and-water affairs that reflect the firm's intense, if Spartan, partnership culture, as well as its obsession with growth. "It's a time to discuss the long-term opportunities, the culture, the project," says Mr. Esteves, who at 41 is Brazil's youngest self-made billionaire.

BTG Pactual is already a leading investment bank in Brazil—lately a coveted profit center for global banks. So far this year, the firm participated in four of five public share offerings; its bankers represented oil giant **Petróleo Brasileiro** SA in an acquisition, and ethanol producer **Cosan** in a joint venture formed with **Royal Dutch Shell** PLC. With $2 billion in equity and $34 billion under management, it's among the biggest independent investment banks in any emerging market.

But Mr. Esteves clearly wants more for the 1,000-person firm. Growing offices in Hong Kong, London and New York, and a planned office in Mexico City, are globalizing its trading and asset-management capabilities, while widening the distribution of its Brazilian share offerings. Bankers in these offices are cooking up cross-border deals involving Brazilian firms.

Going global is new territory for traditionally inward-looking Latin American financial institutions. Normally, when regional markets get hot, big international firms swoop in to buy out the locals. **Credit Suisse Group** bought Brazilian investment bank Garantia in 1998.

Math Major

But the math and computers major turned that model on its head. In 2006, as CEO of what was then known as Pactual, he orchestrated the bank's sale to **UBS** AG for $2.6 billion, or six times book value. Mr. Esteves rose quickly at UBS, becoming head of its global fixed income, currency and commodities businesses—possibly the biggest banking job ever held by a Brazilian.

In 2008, he left to start a hedge fund, BTG, with Persio Arida, a former Brazilian central-bank president credited with helping tame the country's hyperinflation in the 1990s, and other partners.

Around this time, Mr. Esteves's ambitions became legendary: Rumors circulated that he wanted to buy back the Brazilian bank and other parts of UBS's emerging-markets business. Mr. Esteves now says the only concrete talks were about the Brazilian bank.

Then, in 2009, as UBS was scrambling for cash in the global crisis, Mr. Esteves and his partners at BTG reacquired Pactual for slightly less than the Swiss giant had paid—a price Mr. Arida says was just 20% over the bank's new book value, which had soared in the intervening years.

Mr. Arida, now a senior partner at BTG Pactual, described buying UBS as a contrarian bet that worked. "It was a very bleak moment," he says, "the worst of the financial crisis, but precisely because of that, we thought it was an excellent moment to act."

UBS declined to comment.

A father of three, with dark hair and neat, rimless glasses, Mr. Esteves didn't set out to be a banker. A studious only-child from Rio de Janeiro's middle-class Tijuca neighborhood, he joined Pactual—then a small trading house—in 1989 as a back-office computer technician. Soon, he was trading bonds. In 1993, he was elevated to partner.

"I didn't know exactly what Pactual was," says Mr. Esteves. "What motivated me to come here was the speech that I would be paid on my performance, and my performance only, and that if I worked hard, someday I could be partner."

His personal style is exceedingly welcoming. He engages new acquaintances in either Portuguese or English like they might become lifelong friends.

But his instincts are killer. In 1998, Pactual's founder—the banker who gave Mr. Esteves his start—needed a big loan. Mr. Esteves and other partners forced the founder to sell his stake as a condition. That cleared Mr. Esteves's path to the top.

Global Challenge

Now that he is seeking to spread the firm's influence internationally without a big global partner like UBS, there are new challenges. The biggest question may be whether a highly personal, hands-on management style will work on a global scale.

At the firm's São Paulo headquarters, Mr. Esteves and senior partners occupy simple, open workstations at the heart of the bustling trading floor. It's about as far away

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BTG Pactual

Continued from page 22

as you can get from the marble-floored executive offices and fireplaces that became famous at U.S. banks in recent years. But the set-up allows for rapid decision-making: Partners simply swivel their chairs around and huddle. It's a culture light on PowerPoints and off-site vision sessions.

"Some of the big mistakes committed in the last few years on Wall Street are related to an important gap between the senior management and the real action," Mr. Esteves says. "We totally avoid that here."

It's a nimble model that has worked well for a midsize firm. But it's also a management structure that could become unwieldy as the firm spreads to financial capitals thousands of miles away, where senior managers can't just wheel their chairs up to Mr. Esteves's side and talk shop.

Across Oceans

Mr. Esteves recognizes the challenge. To meet it, heads of business lines are given wide autonomy. Once a quarter, senior partners fly to a single office to discuss the firm. BTG Pactual also has invested in state-of-the-art communications systems to keep in touch across oceans.

Mr. Esteves has added depth as well, including his old boss, Huw Jenkins, the UBS Investment Bank head who bought Pactual in 2006 before losing his job. Mr. Jenkins is a managing partner in the London office. Roberto Isolani, UBS's former co-head of Global Capital Markets, is set to join the firm in April.

The idea isn't to swap BTG Pactual's trading-room meritocracy for the hierarchies of big investment banks. None of its locations has individual offices, for example. This creates a highly competitive environment. Junior traders are expected to challenge senior partners in open discussions of trades or forecasts.

"It's the dictatorship of the argument," Mr. Esteves says. "Whoever is right drives the decision. I don't care if it is the secretary of the intern," he says, exaggerating to make a point. The firm's only secretaries serve pools of managers.

The partners are united by a positive outlook on Brazil, Mr. Arida says. The prevailing view is that the economy is still just getting started, even though the stock market more than doubled in 2009.

The firm is raising a $1 billion private-equity fund, of which 25% will be the firm's money and the rest will come from outside investors.

The bank sees conditions here similar to those in the U.S. several decades ago; something akin to the U.S. post-war middle-class growth spurt. The bank is investing in real estate and buying stakes in companies such as auto makers **Mitsubishi Motors** Corp. and **Suzuki Motor** Corp., which it expects to profit as domestic purchasing power grows.

High Achievers

BTG Pactual is a middle-class story itself. Like Mr. Esteves, most of the senior partners have middle-class backgrounds and worked their way up within the firm—a refreshing trend in a region where elites often buy their partnerships at brokerages.

Still, there is no mistaking the high-stakes atmosphere at this company. Most of the partners have all of their personal wealth exposed to the firm. And their shares are adjusted up or down, based on performance, during an intense three-week debate each year. The result is a relentlessly competitive atmosphere where 18-hour days are common.

Ultra-aggressiveness could be a challenge. With other banks, the firm was criticized for setting initial share prices too high in Brazil's 2007 IPO frenzy—leaving some investors unhappy when prices later fell. Mr. Esteves says prices reflected demand for issues often nine-times oversubscribed.

The operating climate has produced intense rivalries and splits. But most of the division heads have been in their jobs a decade or more—longer than most Wall Street executives stay put, Mr. Esteves says.

When Mr. Esteves talks of the future, it's clear one of his models is Goldman Sachs, a partnership-turned-publicly-traded company that he reveres.

Market rumors have him preparing an IPO for BTG Pactual, or seeking a merger with **Banco Bradesco** SA. But he says there are no merger talks with Bradesco; and firm officials say there are no current plans for an IPO.

What's in store for now, Mr. Esteves says, "is building a world-class financial institution focused on emerging markets." ▦

Paulo Fehlauer for The Wall Street Journal

André Esteves, the chief executive of BTG Pactual

I harvest opportunity from risk.
JOSÉ AROLDO GALLASSINI
President,
Coamo Agroindustrial Cooperative
For José Aroldo Gallassini, turning risk into opportunity is second nature. As president of Brazil's largest agricultural cooperative, he comes to CME Group to mitigate price volatility and protect his organization's position in the global soybean market. With unparalleled liquidity, transparency and speed, and the security of central counterparty clearing, CME Group guarantees the soundness of every trade. That's why CME Group is where the world comes to manage risk. Learn more at cmegroup.com.
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LOCAL INSIGHT | By Paulo Trevisani

What's new in the economy, business, politics, sports—and more

A Real Headache

inflation and bring stability to a volatile economy. It worked—but 16 years later, Brazil's currency is a victim of its own success.

A growing economy—and high interest rates intended to keep inflation low—has made Brazil the world's hot spot for currency speculators, who over the past year made the real a big climber against major currencies. What's more, the real's ascent is undermining exporters—an important sector for economic growth.

In October, the government imposed a 2% tax on foreign capital inflows to cool down the exchange rate. Earlier this month, Finance Minister Guido Mantega chastised China for protecting its yuan from falling, a policy that he said is unfair to Brazilian exports. And just last week the central bank announced measures to simplify the currency market as a way to curb excessive speculation. Recently, the exchange rate has been hovering at around 1.8 reals per dollar.

Mr. Trevisani is an editor for The Wall Street Journal in New York. He can be reached at **paulo.trevisani@wsj.com**.

Putting His Foot Down

There's an argument raging through Brazil, from policy makers to common folk, from newspaper columns to cafés: Should one of the world's biggest soccer stars be on the national team?

This summer, Brazil will try for its sixth World Cup in South Africa. Even with so much on the line, it's all but certain that superstar Ronaldinho won't be invited to join the Canaries, as Brazil's team is known. Why? The team's coach, popularly known by his nickname, Dunga, has made it clear that more reliable players, even if less talented, are preferable to Ronaldinho—who has become a tabloid fixture for his playboy lifestyle and occasional off-field blunders. Ronaldinho, who currently plays for Italian franchise AC Milan, recently said he still hopes to play in this and the next World Cup.

In his controversial move, Dunga has at least one powerful backer: President Luiz Inácio Lula da Silva recently said he agrees with the coach.

Big Games, Big Business

Brazil's economic accomplishments in the past few years are symbolized by two world-class sporting events: The nation has been selected to host the World Cup in 2014 and the Summer Olympics in 2016. And the government is confident the country's economy can win big.

Forecasts for potential investment are hovering well above $50 billion, and hundreds of thousands of visitors are expected for both events. The government and other advocates point to the potential of increased employment and investment. But critics see high risks of corruption, with so much money moving into public works, and fear that big projects could become idle after the events.

Economic Growth Hits Home

To many Brazilians, one major benefit from the recent economic boom has been the possibility of buying a home. Though still relatively high, interest rates of around 10% are the lowest Brazilians have ever seen for mortgages—and the loans can now stretch to 30 years. The obvious consequence is that prices are going up. And real-estate companies are getting a boost in the stock market and access to capital for new projects.

But there is little, if any, talk of a real-estate bubble. In fact, the market is generally seen as underdeveloped. ▦

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Monday, March 29, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Rates hold reins for U.S. stocks

Last week's surge in Treasury yields derailed a rally; a favorable jobs report could be bad news for market

By E.S. Browning

A rise in Treasury-bond yields last week took the legs out from under a strong stock-market rally that had pushed the Dow Jones Industrial Average to its highest point in 18 months, a setback that shows how vulnerable stocks and the economy may be to higher rates.

ABREAST OF THE MARKET

Treasury yields rose as investors showed less enthusiasm for the billions in bonds that the U.S. government has been selling. This week, the market may have two more reasons to send interest rates higher: the end of the Federal Reserve's $1.25 trillion mortgage-buying spree and a potentially stronger employment report.

The bond market will be open for a rare Good Friday session so traders can react to the employment number, although trading will end at noon in New York. But stock markets will be closed, pushing stock investors to avoid risky advance bets ahead of news on which they will have trouble trading before Monday.

Lately, stock investors have welcomed good economic news, reading it as a sign that the economy is regaining its footing. The last unemployment report, released early in March, was better than economists had expected and sent the Dow up 1.2% as investors embraced the prospect of a strengthening labor market. Another strong report would give many people much-needed confirmation that the recovery is taking hold. That would typically be good news for stocks—an indication that corporate profits are sure to pick up. But investors this time may have more to grapple with. As the economy expands, interest rates eventually move higher.

Signs of nervousness have already appeared. The Dow on Thursday made a run at the 11000 mark, which it hadn't seen since the Lehman Brothers collapse, but fell back amid concerns about the bond market. On Friday, stocks stagnated, with the Dow rising 9.15 points to 10850.36. Investors are also wary as stocks have rallied for four straight weeks, the longest stretch since August, a steady gain that has some wondering whether a pullback is near.

To many analysts, cheaply available government money and low in-

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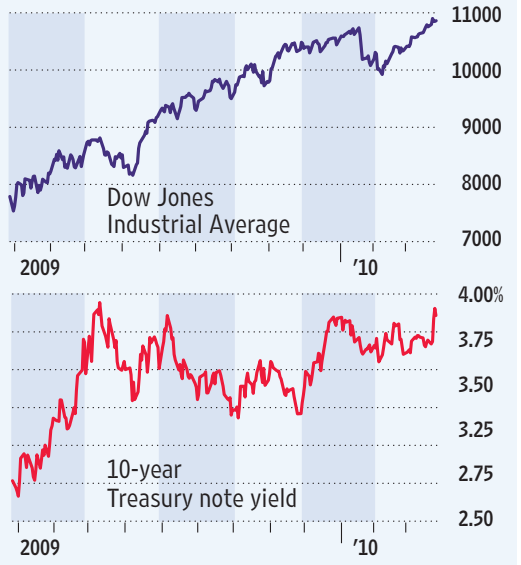
■ Ahead of the Tape: Don't blame Fed for mortgage-rate rise 31

Can both keep rising?

Moderate interest rates have helped stocks rise. But last week, the yield of the benchmark 10-year Treasury bond suddenly moved to its highest level since June.



Sources: WSJ Market Data Group; RyanALM (yield)

For a former regulator, danger is in overregulation

[The View from Hong Kong]

By Peter Stein

Hong Kong earns much praise for its laissez-faire policies. But its government isn't shy about making its presence felt when markets threaten the public good.

Striking the balance between free markets and tough regulation isn't easy. Few in Hong Kong have had as much experience tackling the challenge as Joseph Yam.

For 16 years until he retired in October, Mr. Yam, 61 years old, was Hong Kong's top banking regulator and zealous guardian of its currency, which is pegged to the U.S. dollar. His successor at he Hong Kong Monetary Authority, Norman Chan, worked under Mr. Yam for 12 of those years.

Recently, Mr. Yam shared some thoughts about financial regulation over soft drinks at the Hong Kong Golf Club. Among them are a suggestion that regulators should worry more about examining the risks of questionable financial products than about trying to determine banker compensation. Surprisingly, he also professed a fear that regulatory overhaul may be going too far.

Bloomberg News

Former HKMA chief Joseph Yam.

Hong Kong's financial system emerged from the global financial crisis relatively unscathed, and Mr. Yam deserves some credit for that. He made Hong Kong's banks cap their lending to home buyers at conservative levels, which kept mortgage-default rates minuscule even when home prices declined.

He also made it clear to lenders that regulators would do whatever was necessary to protect the financial system from their reckless behavior.

Within Hong Kong, Mr. Yam has had naysayers, including legislators who criticized his pay package (in 2008, he earned more than $1.5 million). Some say the Hong Kong Monetary Authority didn't do enough to protect small depositors against dangerous structured-finance products such

Please turn to next page

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Sinopec to buy Angolan oil assets

China company to pay $2.46 billion for 55% stake in parent's venture, in a move to broaden its earnings base

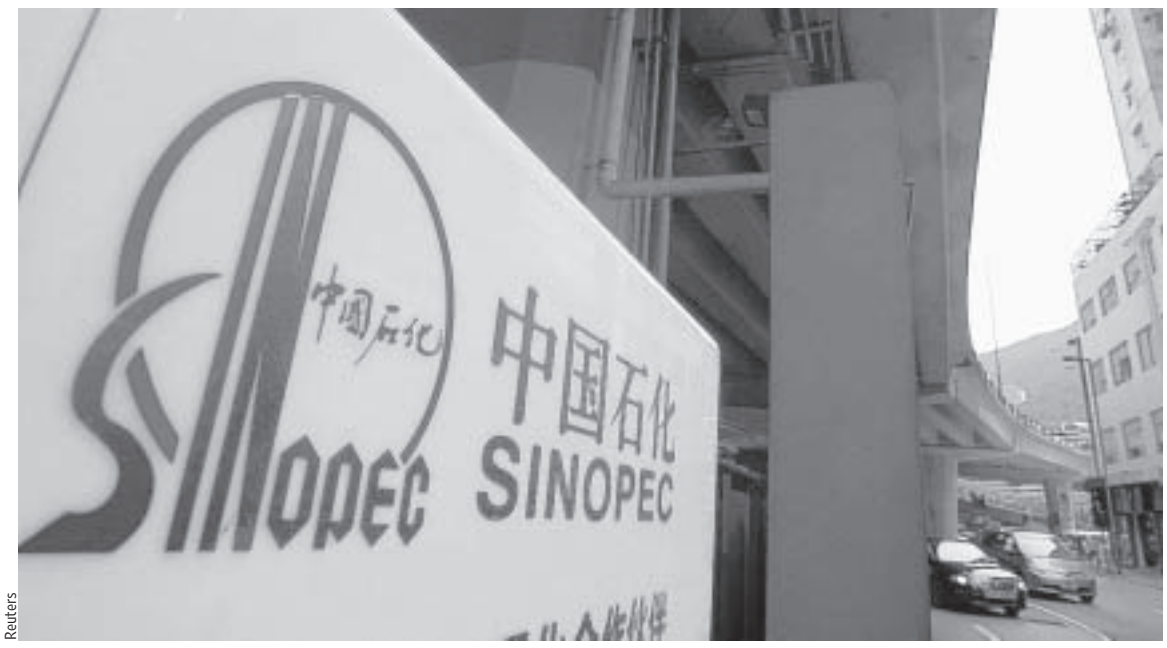
By Yvonne Lee

HONG KONG—**China Petroleum & Chemical** Corp., or Sinopec, said it agreed to acquire deep-water oil assets in Angola by buying a 55% stake in Sonangol Sinopec International Ltd. for US$2.46 billion.

The acquisition from **China Petrochemical** Corp., Sinopec's parent, marks its first acquisition of overseas upstream assets. With the completion of the deal, the company's proven reserves of crude oil will be increased by 3.6%, or by 102 million barrels, the company said Sunday. Its daily crude-oil production will rise 8.8%, or by 72,520 barrels. **China Sonangol International Holding** Ltd. owns the remaining 45% stake in Sonangol Sinopec International

It will pay for the acquisition through internal resources and bank loans, the company said.

Sinopec said Sonangol Sinopec International owns a 50% interest in Angola Block 18, a deep-water oil asset in Angola. Block 18 is divided into an east and west zone, with an average water depth of 1,500 meters. The east zone has been in operation since October 2007, with daily production capacity of 240,000 barrels, while the west zone is at the development phase.



Reuters

The deal marks Sinopec's first acquisition of overseas upstream assets. Above, a Sinopec logo in Hong Kong.

Up until now, Sinopec, Asia's largest refiner by capacity, has relied heavily on oil refining and marketing for its earnings. Sinopec imports more than 70% of the crude oil run through its refineries, which has exposed it to heavy losses in past years as it wasn't able to recoup surging crude oil costs in full from consumers.

To broaden its earnings base and go overseas, the refiner is actively seeking overseas investments in oil and gas resources as part of its expansion plan. Sinopec said in August it has set up a unit to review overseas acquisition opportunities including assets in Angola, Russia, Kazakhstan and Australia now held by China Petrochemical.

"Through this overseas asset acquisition, Sinopec not only obtains a large-scaled overseas oil and gas asset, but also attains and absorbs relevant experiences in human resource, management system and business operation in overseas upstream operations," Chen Ge said in the statement. "The transaction will help improve the financial performance of Sinopec and maximize the long-term investment value for the shareholders," he said.

Separately, Sinopec said Sunday its 2009 net profit more than doubled to 61.8 billion yuan ($9.05 billion) in the year ended Dec. 31, up from 28.5 billion yuan a year earlier. The result topped the average 59.61 billion yuan forecast of 17 analysts polled earlier by Thomson Reuters.

The Beijing company's strong results came after China's linking fuel prices more closely with the international market. Under China's new resources pricing system introduced in 2009, refiners are guaranteed a 5% profit margin as long as the price of international crude is below US$80 a barrel. Oil closed 2009 at $79.36 a barrel, up $34.76 or 78%, but still well below its record above $145 a barrel in the summer of 2008.

Revenue fell 10% to 1.35 trillion yuan from 1.50 trillion yuan on lower contributions from the upstream exploration and production segment. Its oil and gas producing operation posted an operating profit of 19.64 billion yuan, down from 66.57 billion yuan, because of lower oil prices.

The firm's refining business, however, swung to an operating profit of 23.08 billion yuan in 2009, from a loss of 63.64 billion yuan a year earlier, aided by Beijing's move to ease price controls.

Former regulator sees danger in global overregulation

Continued from previous page

as minibonds backed by Lehman Brothers Holdings Inc. that blew up when the Wall Street firm collapsed in 2008.

Leo Goodstadt, a former top policy adviser to Hong Kong's British colonial administration before 1997, attributes Hong Kong's firm regulatory hand to a strong collective memory. Right though the mid-1980s, Hong Kong was plagued with waves of bank failures and financial scandals that finally forced through sweeping regulatory overhauls.

"People like Joe Yam had grown up knowing you can't trust banks," says Mr. Goodstadt, who lectures at Trinity College Dublin.

Mr. Yam points out that the uncertainty surrounding the 1997 transition from British to Chinese rule made tight regulation of banks in Hong Kong a necessity. When a run-up in property prices ahead of the hand-over turned into a rout that saw average home prices fall by two-thirds, the experience only reinforced Hong Kong's tendency to prepare for the worst. The monetary authority requires banks to perform frequent stress tests, and conducts its own regularly, as well.

In the U.S. and U.K., politicians are eager to limit compensation for bankers, and Hong Kong last year announced that it would adopt tougher guidelines on banker pay, too. But Mr. Yam says he prefers "a more proactive role toward financial innovation."

Regulators should look closely at whether a financial product is safe. Are credit-default swaps and collateralized debt obligations "a good way of transferring risk to those who are in a position to assume those risks?" he asks. If not, "then stop it." With the right kind of prudential regulation in place, "why mess with the labor market of the financial system?" he said.

For all of his willingness to advocate aggressive regulation in certain areas, Mr. Yam expresses a surprising amount of concern that some efforts to reign in the financial system "may go overboard."

He worries that former Federal Reserve Chairman Paul Volcker's proposal to restrict banks from owning hedge-fund or private-equity arms will push risks outside the regulated system. "Then how will you deal with it?" he said.

He also is apprehensive about the Basel III standards that would restrict how banks measure their capitalization, forcing many to shed leveraged assets. The problem, he notes, isn't the direct impact on lenders in Hong Kong or in most of Asia, which are conservatively capitalized. Rather, it is the impact on banks in the West.

"It is not as though the Asian region is decoupled from the developed world," he says. If the Western economies suffer, "everybody else would be affected by it."

While Mr. Yam is enjoying the benefits of retirement—his golf scores have come down "quite a lot in the last six months"—he is considering various offers for a corporate directorship. But he seems more keen to stay active in the public sphere, even beyond his new position advising China's central bank.

"I hope the community can recognize that my skills are there," he says, with a wistful note.

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Reuters

China Construction Bank said net fee and commission income rose 25% in 2009 and provisions for risky assets were cut nearly in half.

CCB posts 15% rise in profit

Lower provisions cited; bank plans 17% growth in new loans, down from 2009's 27% jump

SHANGHAI—**China Construction Bank** Corp., the country's second-largest lender by assets, reported a 15% rise in 2009 net profit, a result of lower provisions for risky assets and higher fee-based income, and said it will slow loan growth after a vigorous credit expansion last year.

The state-run bank said Sunday that it aims to increase its local-currency loans by 17% this year, down from a 27% jump in 2009. Banks in China have been reining in credit growth to meet stricter capital requirements after they issued a record 9.6 trillion yuan ($1.4 trillion) of loans in 2009.

A few days ago, **Bank of China** Ltd., the third-largest lender, said it will slash its lending growth to 17% this year from 50%.

China Construction Bank, in which **Bank of America** Corp. owns about a 10% stake, said its net profit for last year was 106.76 billion yuan, up from 92.60 billion yuan in 2008.

The bank said it issued 1.03 trillion yuan of new loans last year, increasing its total outstanding loans by 27% from the end of 2008. Also, the largest lender for infrastructure financing in China said more than half of its loans made in 2009 flowed to the country's infrastructure projects as it heeded the government's call to finance a four trillion-yuan stimulus package.

But mirroring results at its state-run peers, **Industrial & Commercial Bank of China** Ltd. and Bank of China reported that credit growth didn't bring in higher interest income, as the bank's interest margin, a gauge of lending profitability, narrowed substantially following aggressive interest-rate cuts by China's central bank in the second half of 2008. China Construction Bank said its net interest income fell 5.8% to 211.89 billion yuan last year.

CCB attributed the profit growth to lower impairment charges for its assets and higher non-interest income. In 2009, the bank set aside 25.46 billion yuan of provisions for its assets, almost half of the amount it took in the previous year, and its net fee and commission income rose 25% to 48.06 billion yuan.

Analysts said banks' net-interest margin will likely rise this year as China is expected to gradually exit its stimulus amid concerns about inflation and potential asset bubbles. Beijing has raised the amount banks must deposit with the central bank twice already this year, and analysts expect the government to raise interest rates as soon as the second quarter. Also, since borrowing demand remains robust, a decline in credit supply will allow banks to charge higher interest on new loans.

The flood of lending lowered its capital-adequacy ratio, China Construction Bank said.

The ratio, which governs the money banks must hold against their assets, was 11.70% as of Dec. 31, down from 12.16% at the end of 2008 and marginally above the minimum 11% demanded.

China Construction Bank didn't announce plans to replenish its capital on Sunday. ICBC, China's largest lender by assets and the best-capitalized, disclosed a fund-raising plan last Thursday. The bank, whose capital-adequacy ratio stood at 12.36% at the end of 2009, said it is planning to raise as much as 25 billion yuan via a convertible-bond issue in Shanghai and also plans to seek shareholders' approval to sell additional shares in Hong Kong.

Bank of China said it plans to sell as much as 40 billion yuan worth of convertible bonds in Shanghai and aims to raise an additional $7.9 billion in a follow-on stock sale in Hong Kong.

On Friday, a person familiar with the matter said CCB was considering a plan to place more than 40 billion yuan of shares on the domestic stock market and may also consider a rights issue in Hong Kong.

—Rose Yu and Victoria Ruan

TSMC seeks stake in SMIC

BY TING-I TSAI

Taiwan Semiconductor Manufacturing Co., the world's largest contract chip maker by revenue, has applied to the Taiwan government for approval to acquire a 10% stake in China's **Semiconductor Manufacturing International** Corp. as part of a legal settlement.

The expected move, the direct result of a lawsuit in which TSMC accused its mainland rival of stealing trade secrets, brings TSMC one step closer to becoming a major shareholder of the Chinese company that had set out to challenge its market dominance.

Under their settlement last November, SMIC agreed to pay $200 million, an 8% stake in itself and warrants covering a further 2% to TSMC. The settlement came a week after an Alameda County Superior Court jury in California found in TSMC's favor.

The Taiwanese government had prohibited its technology firms from investing in China. In February, however, it moved to ease regulations allowing the island's chip makers to invest in their Chinese counterparts.

TSMC filed suits in 2003 accusing SMIC of infringing on its patents and stealing technological secrets related to manufacturing recipes used in fabricating chips on silicon wafers. SMIC disputed the allegations, but in January 2005 agreed to pay $175 million as part of a settlement over those allegations. Later that year, TSMC filed another suit that accused SMIC of violating terms of the settlement.

Following last year's settlement, Richard Chang, founder of SMIC, resigned from his post as chief executive.

Mr. Chang, a semiconductor industry veteran, founded SMIC in Shanghai in 2000, with backing from the Shanghai government and Chinese banks. SMIC is part of China's broader push to develop advanced high-tech industries, but has been struggling with losses since 2005.

Higher rates leave U.S. stocks vulnerable to a pullback

Continued from page 25

terest rates have been the main underpinning of the current economic and stock-market recovery. And any reversal in that is a threat to the stock market's rally.

Low and stable Treasury yields have been a key factor. Treasurys are the benchmark for lending across the economy. If yields continue higher, it will mean higher mortgage rates, higher corporate borrowing costs and higher interest on rising government debt, all of which weighs on economic performance.

"It keeps the recovery from being quite as quick, it makes bonds more attractive investments vis-à-vis stocks, and it has the potential to put pressure on stock prices," says Gordon Fowler, chief executive of Glenmede Trust, which manages $18 billion in Philadelphia.

While some market analysts are on edge this week over the rising Treasury yields and the Fed's plans to pull out of the mortgage market, others are relatively sanguine. They say the Fed has given full warning of the exit, and that it shouldn't disrupt the mortgage or Treasury market. They note that mortgage rates didn't rise more than Treasury yields, a sign of relative calm.

Some economists and investors shrugged off last week's bond-market surprise. The rise in yields appeared to be partly the result of weaker-than-expected demand from foreign investors such as Japan and China at U.S. government bond auctions this past week.

The bonds still found plenty of buyers, and the optimists call it a short-term glitch.

That the Treasury market is misbehaving just as the Fed tries to ease up on its stimulus is a concern to people like Mr. Fowler, who worry about how the government is going to finance its record budget deficits. The question is how long investors will keep funding that debt at bargain prices.

"The fear is that the markets are starting to balk at the wall of supply needed to finance this year's expected $1.4 trillion federal budget deficit," said Paul Dales at Capital Economics in a note to clients.

Higher yields will mean higher mortgage rates, higher corporate borrowing costs and higher interest on rising government debt, all of which weigh on the economy.

On Thursday, a day after soft demand greeted a government-bond auction for the second time of the week, the yield on the 10-year Treasury note rose to 3.9%, its highest level since June. Although the yield retreated slightly on Friday, to 3.85%, some analysts were warning that it soon could surpass 4%, something it hasn't done since 2008.

Many analysts including Mr. Dales think 10-year Treasury yields will sfall back to the mid-3% levels at which they have been for the past nine months, but the reasons they think so aren't that reassuring.

"There are still plenty of headwinds in the U.S. economy," says Peter Demirali, who helps manage $1.4 billion at Cumberland Advisors in Vineland, N.J. He expects that high unemployment and weak consumer demand will help keep a lid on economic growth for some time, which in turn will hold down inflation, credit demand and bond yields.

Mr. Dales of Capital Economics goes so far as to compare the U.S. to Japan in the past two decades, a period of prolonged economic slump during which Japanese bond yields and interest rates have remained low. Although Japan's stock market repeatedly rallied, the rallies faded, creating a series of disappointments for Japanese stock investors.

The Fed, however, has said it is committed to supporting economic recovery by keeping interest rates low.

Government-borrowing needs and the economic recovery eventually will push Treasury yields higher, but a significant move isn't likely for some time, says Marc Stern, chief investment officer at Bessemer Trust, which oversees $55 billion in New York.

Weak wage increases, slow growth and low prices of goods made in countries like China are likely to prevent inflation, he says, and "until you see real inflationary pressure building, it is unlikely that you will see long-bond rates moving higher."

CORPORATE NEWS

Baosteel supports pricing system

Spokesman for Chinese bellwether clarifies chairman's remarks regarding changes to iron-ore negotiations practice

By Chuin-Wei Yap

BEIJING—**Baosteel Group** Corp., the lead Chinese negotiator for annual ore-price talks with global miners, said Friday that it supports the existing system of pricing iron ore once a year but acknowledged that the 40-year-old format could be altered.

This signal from China's most influential steelmaker has exposed a small but significant breach in the otherwise united front of Chinese government officials and steelmakers opposed to such changes.

"The benchmark annual pricing system was set up 40 years ago, and miners, steel mills and the market have changed a lot since then, so it is reasonable that the system has some changes and adjustments now," a Baosteel spokesman said, repeating what he said were remarks by Chairman Xu Lejiang earlier in the week.

"But Baosteel supports the long-term annual contract system. This system is beneficial for steel mills and raw-material suppliers to build a long-term and stable relationship based on cooperation. It also benefits the stability and prosperity of the industry chain," the spokesman said.

Mr. Xu had been speaking to reporters on the sidelines of a shipping conference in Shanghai. The spokesman said media reports Thursday citing Mr. Xu's remarks had missed the important context that set out Baosteel's support for the existing system.

Media attention has focused on Mr. Xu's comments that appeared to support changing the system, a line of argument that would introduce a rare break with the government position and coming from arguably the most important person at the negotiations with global mining giants over politically sensitive iron-ore prices.

Baosteel is China's steel-industry bellwether and until last year its largest steelmaker by output.

Price talks for bulk shipments of iron ore collapsed last year after the China Iron and Steel Association took a more direct role in negotiations, insisting on a larger discount than miners **BHP Billiton**, **Rio Tinto** and **Vale** SA had settled with other Asian buyers.

This year, as the three miners closed ranks to insist that the pricing format be altered to better reflect market-sensitive spot prices, China's steelmakers have appealed to the government for help in resisting the changes.

In response, the Ministry of Industry and Information Technology and the Ministry of Commerce this month publicly defended the existing pricing model, insisting that China wouldn't want to change it.

The China Iron and Steel Association and the ministries didn't respond to requests for comment.

—Yue Li contributed to this article.

Reuters

Annual contracts for iron ore are 'beneficial for steel mills and raw-material suppliers,' Baosteel said. A laborer welded reinforcing bars in Shanxi province Thursday.

Legal Notices

PUBLIC NOTICES

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION **CAUSE NO FSD 66 OF 2010**
IN THE MATTER OF XL CAPITAL LTD
AND IN THE MATTER OF SECTION 86 OF THE COMPANIES LAW (2009 REVISION)

NOTICE IS HEREBY GIVEN that by an Order dated March 3, 2010 (the "**Order**") made in the above matter, the Grand Court of the Cayman Islands (the "**Grand Court**") has directed that XL Capital Ltd (the "**Company**") convene the following scheme meetings of its shareholders for the purpose of considering and, if thought fit, approving, with or without condition, modification or amendment, a scheme of arrangement (the "**Scheme of Arrangement**") proposed to be made between the Company, its Ordinary Shareholders (as defined below) and XL Group plc, and, should the Scheme of Arrangement also be approved by them, the Company's Series C Preference Shareholders and Series E Preference Shareholders (each as defined below):

1. A scheme meeting of all holders of the Company's Class A ordinary shares, par value $0.01 per share ("**Ordinary Shareholders**"), to be held on April 30, 2010 at 12:30 p.m., Bermuda time;
2. A scheme meeting of all holders of the Company's Series C preference ordinary shares, par value $0.01 per share ("**Series C Preference Shareholders**"), to be held on April 30, 2010 at 1:30 p.m., Bermuda time; and
3. A scheme meeting of all holders of the Company's Series E preference ordinary shares, par value $0.01 per share ("**Series E Preference Shareholders**"), to be held on April, 30 2010 at 2:00 p.m., Bermuda time.

The scheme meetings will be held at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda, at which place and at such relevant time all of the Company's Ordinary Shareholders, Series C Preference Shareholders and Series E Preference Shareholders, as at the close of business on the record date of March 5, 2010, are requested to attend and vote thereat.

Any person entitled to attend the scheme meetings may obtain a copy of the Scheme of Arrangement, together with the relevant form of proxy card and an explanatory Proxy Statement or (in respect of the Series C and Series E Preference Shareholders only) an explanatory Preference Shareholder Circular from Georgeson Inc., 199 Water Street, New York, NY 10038 during usual business hours or online at http://investor.xlcapital.com at any time prior to April 30, 2010.

Attendance and voting at the scheme meetings may be in person or by proxy in accordance with the voting instructions set out in the Proxy Statement and (in respect of the Series C and Series E preference ordinary shares) the Preference Shareholder Circular.

NOTICE IS FURTHER GIVEN that the Scheme of Arrangement will be subject to a subsequent Petition for the sanction of the Grand Court which shall be heard at 10:00 a.m., Cayman Islands time, on May 20, 2010, or as soon thereafter as it may be heard.

Any shareholder of the Company may appear to support or oppose the making of any order to the said Petition at the time of hearing by himself or his attorney for that purpose (any creditor may appear and seek permission of the Court to be heard). A copy of the Petition and supporting Affidavit will be furnished to any shareholder of the Company who requires it by the undersigned.

Dated the 29th day of March 2010
Maples and Calder, Cayman Islands Attorneys for XL Capital Ltd

U.S. firms tally health-care charges

AT&T Inc. said it would take a $1 billion charge against earnings tied to the federal health-care overhaul, joining a number of other companies in reporting an impact from the bill signed into law last week.

*By **David Reilly**, **Ellen E. Schultz** And **Ron Winslow***

The charges relate to prescription-drug benefits for retirees. Companies that provide this benefit, as AT&T does, receive a federal subsidy, plus they can deduct the value of this subsidy from their taxes. The health overhaul cancels the deductibility of the subsidy.

It's for that reason that companies are taking a charge against earnings. They "have a stream of tax benefits that they are losing way out into the future," said Roland McDevitt, director of health-care research at benefits consultant Towers Watson.

On Friday, **3M** Co. joined AT&T in saying it would take a first-quarter charge, in 3M's case of $85 million to $90 million. **Deere &**Co., **Caterpillar** Inc. and **AK Steel Holding** Corp. said they were taking such charges.

AT&T's is much larger than the others' because it has far more current and future retirees, and a large number of them are unionized, with guaranteed benefits.

The charges are noncash, meaning companies don't have to write a check. But their tax bills will be higher given the change in tax treatment of the drug-benefit subsidy.

Recording an impact
Charges firms are taking for effect of health bill on retiree drug benefits they provide

AT&T	$1 billion
John Deere	$150 million
Caterpillar	$100 million
3M	$85-$90 million
AK Steel Holding	$31 million

Source: Company filings

The charges are related to a 2003 law providing a prescription-drug benefit under Medicare. At the time it was adopted, some companies were threatening to drop drug coverage for their retirees, since this would now be available through Medicare. Congress voted them a 28% tax-free subsidy for continuing to provide coverage to retirees eligible for Medicare.

The subsidies caused the cost of companies' obligations for retiree benefits to decline. AT&T, for example, saw its obligation drop by $1.6 billion at the time.

The cost of providing retiree prescription-drug coverage was already tax-deductible before the 2003 law. After that law was signed, companies remained able to deduct the cost of providing the benefit, including the portion paid for by the subsidy.

The current health-care overhaul doesn't eliminate the subsidy, nor make it taxable. What it changes is that companies will no longer be able to deduct the portion of the drug benefit paid for by the subsidy.

Since companies had created an asset based on the expectation they would be getting these deductions over the lives of their current and future retirees, they say they need to take a charge reflecting the fall in the asset's value.

Accounting rules say the charges, which affect what are called "deferred tax assets," must be taken in the quarter in which a tax-law change is enacted. The first quarter ends Wednesday. Companies wouldn't have to announce the charges before they actually report their first-quarter earnings over the next several weeks. However, if they viewed the charges as material, they might feel they needed to inform shareholders immediately.

Mr. Zion estimated that companies in the S&P 500 index will rack up a combined $4.5 billion charge due to the change in the value of the tax asset.

—Roger Cheng contributed to this article.

CORPORATE NEWS

EBay to start flash sales of fashion

Online marketplace will offer high-end brands at discounts of at least 50% off retail as part of effort to revive site

By Geoffrey A. Fowler And Ray A. Smith

EBay Inc. will launch flash sales of high-end fashion brands Monday in its latest bid to revive its giant online marketplace.

On a portion of its Web site dubbed Fashion Vault, the company will offer discounts starting at 50% off retail for a limited time, beginning with offerings from **French Connection Group** PLC. The business model, which follows a trial in the fall featuring Hugo Boss, DKNY and Max Mara, takes a page from such Web sites as **Gilt Groupe** Inc. and **GSI Commerce** Inc.'s Rue La La. Those sites have carved out a niche in e-commerce by offering the online equivalent of one-off sample sales

The move is a departure for eBay, which has generally billed itself as a neutral third-party marketplace that anyone can join. While eBay won't own or handle fulfillment for the goods sold on Fashion Vault, it is taking an unusually active role in negotiating product-listing deals with designers. The company has already begun selling a special line by designer Narciso Rodriguez on eBay.

In a statement, Lorrie Norrington, president of eBay's marketplace operations said, "By partnering with trusted brands to sell direct, eBay continues to add to its already wide, deep shelves with 'buy it now' instant access to new brand-name merchandise at deep discounts while inventory lasts." The company says it already moves more apparel online than any other Web site in the U.S.

After emphasizing fixed-price listings alongside auctions and improving the reliability of sellers on its marketplace, eBay is now trying to spruce up its shopping experience. Fashion Vault sellers will be granted additional creative control of how their brands are presented. Their pages will feature a gallery-style layout, with images of the apparel typically worn by models.

Fashion Vault - Hot designer sales exclusively for eBay members - Mozilla Firefox
File Edit View History Bookmarks Tools Help
http://fashionvault.ebay.com/
Fashion Vault - Hot designer sales ex...
ebay
Welcome! Sign in or register.
Fashion Vault
Hot designer sales exclusively for eBay members [?] PLUS FREE SHIPPING
NEXT SALE
up to 60% off
FRENCH CONNECTION
Starts Mar 29, 2010 at 08:00 AM PDT
Sign up for sales updates

Working directly with eBay is somewhat of a departure for fashion companies, which have wrangled with the site over fakes and concerns that bargain prices for their goods on the secondary market cheapen their high-end brand appeal.

Fiona Dias, the executive vice president for strategy at GSI, says that the advantage of her site Rue La La over Fashion Vault is that it has "the merchandise that matters."

At least one brand that participated in eBay's Fashion Vault trial in the fall said it didn't plan to do so again. An eBay spokesman said he "can't speak for any brand about their plans." He added that eBay has had "tremendous interest from contemporary, lifestyle and premium brands to participate in flash sales." In the U.K., eBay's site features a 16-store outlet mall dedicated to apparel.

In a statement, Mr. Rodriguez described his eBay collection as a "unique opportunity to reach a broad global audience" and said he was "more than pleased with the business" eBay was generating.

Still, there may not be a large enough supply of excess designer inventory to go around for all the sites that want it. During the 2009 first half, retailers cut back orders as much as 20% to shrink inventories and wean consumers off the deep discounting that occurred during the 2008 holiday season, when there was too much merchandise and a shortage of shoppers. Retailers remain conservative and aren't expected to boost orders from designers until the 2010 second half.

"If they are all going after the same merchandise, there's a limit to how much excess inventory will be available," said John Long, a retail strategist at the consulting firm Kurt Salmon Associates. As the space becomes more crowded, "each of these companies is going to have to continue to be able to differentiate itself in order to grow."

CORPORATE WATCH

Toyota to suspend output at French, U.K. factories

Toyota Motor Corp. said Friday it will suspend production at its factories in France and the U.K. for at least 12 days in coming weeks due to weak regional demand after a series of global safety recalls.

The suspension coincides with planned production adjustments at two Toyota plants in the U.S. for up to two weeks in March and April in order to prevent inventories from building up amid sagging sales.

Toyota will halt production from April 6 to April 9 at its plant in France, where it manufactures the Yaris compact, and also plans to idle assembly in late April.

The world's biggest car maker by volume will also stop operations in the U.K. for eight days, from Monday to Thursday and April 6-9.

The production halt in the U.K. comes as the company revamps its production line to start producing a hybrid version of the Auris hatchback later this year.

Toyota also is planning to idle one of its two U.K. production lines in August.

Tadashi Arashima, chief executive of Toyota's European division, said earlier this month that the company expects its sales in Europe to drop this year, as the company's recalls, the global downturn and the expiration of government incentives for people to scrap older cars dent demand for its vehicles.

Agence-France Presse

Toyota's factory in Onnaing, in northern France

In 2009, the Japanese car maker sold 730,831 vehicles in Europe, down 4.7% from the previous year. Its market share stood at 5%.

In Japan, Toyota said Thursday that it aims to finalize the details of its first ever group-wide reorganization of its production facilities by this summer to avoid a steep fall in profitability in the wake of the recalls.

—Yoshio Takahashi

China Resources Land profit doubles in wake of stimulus

China Resources Land Ltd.'s net profit more than doubled last year after Beijing's measures to boost the property market, part of its economic stimulus package to help the economy through the global downturn, drove up demand and prices.

The company, which recently joined the Hang Seng Index as a blue-chip constituent, said net profit for the year ended Dec. 31 rose to 4.41 billion Hong Kong dollars (US$568.2 million) from HK$1.99 billion. Revenue rose 77% to HK$16.6 billion.

But the developer and its larger peer **China Overseas Land & Investment** Co.—Hong Kong's top developer by market capitalization, which also enjoyed a bumper year—are unlikely to receive a similar boost from the government in 2010. Beijing has started to withdraw its stimulus measures as it focuses on potential inflation risks, including possible bubbles in the property market. It has also scaled back some other measures introduced to support the real-estate sector as house prices soar.

China Resources Land said its contracted sales between Jan 1 and March 22 totaled 2.93 billion yuan (US$429.2 million), steady from a year earlier.

—Joyce Li

Chinese agency to invest in Brazilian mining company

The East China Mineral Exploration and Development Bureau on Friday said it signed a preliminary agreement to acquire an iron-ore mining company in Brazil for about $1.2 billion.

ECE signed the preliminary agreement Thursday with **Itaminas Comercio de Minérios** SA to acquire the company, which owns an iron-ore-mining operation in Sarzedo, in the eastern Brazilian state of Minas Gerais.

ECE is a quasigovernmental mining agency backed by Jiangsu province. China is seeking to increase its access to minerals and natural resources to feed its growing industries.

Its mineral companies have helped finance operations that struggled during the economic downturn. In particular, it has been on a world-wide drive to secure more iron-ore mines and supply channels.

An ECE official described the Itaminas mine as producing approximately three million metric tons of iron-ore concentrate a year and connected to Rio de Janeiro's port via direct railway.

An Itaminas spokesman declined to comment on the purchase price.

—Yajun Zhang and John Kolodziejski

MARKETS

Prudential arm could be in play, if...

New options could open up if shareholders approve AIA purchase; deal structure will bypass reverse-takeover rules

By Peter Stein

HONG KONG—**Prudential PLC** would have much more flexibility to sell off its U.K. operations if shareholders approve a $35.5 billion deal to acquire the main Asian insurance arm of **American International Group**, according to a person familiar with the company's strategy.

Prudential is making progress in winning shareholder support for its deal, the person and others familiar with the situation said, despite concerns over the $20 billion rights offering needed to fund the takeover. It also has basically resolved a regulatory hurdle in India concerning limits on foreign ownership of insurance licenses and is in talks with Chinese authorities to do the same.

Prudential, which announced its deal to buy **AIA Group** Ltd. from AIG last month, plans to set up a new company that will acquire both Prudential and AIA, these people said. That structure allows the acquisition to bypass rules governing reverse takeovers, which can lead to a lengthy suspension of trading.

Efforts by Prudential's top managers to persuade investors to support the deal are going well after four weeks in which they have met with a large portion of the shareholder base, the people said. The deal's structure will require backing from investors who represent 75% of the company's shares, the people said. (U.K.-based Prudential PLC isn't related to U.S insurer Prudential Financial Inc.)

Reuters, Bloomberg News

Prudential PLC has made a $35.5 billion offer to buy AIA Group, American International Group's Asian insurance unit.

The price of the AIA deal has provoked some investor concerns. Prudential is paying about 1.7 times so-called embedded value, a common measure of an insurance company's future profits. That is a premium to its own multiple of 1.15, though far below the 2.6 to 3 times embedded value that Chinese insurers command because of their big growth potential.

The question is whether Prudential's traditional investor base sees the logic behind the price.

"Over the last decade, people looking at the life sector in the West have naturally morphed into value investors," said Toby Langley, an analyst with Sanford C. Bernstein Ltd. In London. "When they're presented with a growth story, they appear to have a hard time accepting the numbers."

Mr. Langley said the high price will make it a challenge to win shareholder support, "but, in our view, Prudential has picked up an attractive asset with the potential to generate substantial further value." Bernstein has a "buy" recommendation on the stock with a 12-month target price of 770 pence. The stock closed at 533 pence Friday, down about 12% from when the AIA deal was announced.

Prudential is moving to sort out some of the regulatory issues it will face after taking over AIA, especially in India and China. In India, Prudential plans to keep its joint venture with **ICICI Bank**, the person familiar with the company's strategy said. AIG will sell its stake in a rival venture with **Tata Group** that has a lower market share.

In China, Prudential executives have held "very positive" meetings with regulators on how to comply with local rules, but it is unclear how they will proceed, the person said. AIA is the only foreign insurance company in China with a full license, but it has a small market share. Prudential has a joint venture with the state-owned **Citic Group**.

Prudential has in the past been dogged by market talk that it was looking to sell its U.K. operations. That would be virtually impossible, the person familiar with Prudential's strategy said, because the U.K. operations make up half of the company's profit and underpin its credit ratings.

However, once the acquisition of AIA goes through, bringing in a whole new business, the new company "has much more optionality," this person said. Ultimately, it would be up to Prudential's management to decide whether selling off the mature U.K. operations was in shareholders' best interests.

China rolls out index futures

By Shen Hong

SHANGHAI—China will introduce its long-awaited stock-index futures on April 16, ending years of preparations for derivatives designed for risk-hedging but also seen as vulnerable to speculative forces.

Friday's announcement by the China Financial Futures Exchange, which will host the index futures, will give investors a means to bet on the direction of major share indexes and also allow them to make money when the market falls. It is expected to boost demand for index heavyweights when trading resumes Monday.

The stock-index futures will allow investors to make money when the market falls.

Investors have eagerly anticipated the launch, which will expand options in a market where, up to now, being bullish has been the only choice because there has been little to shield investors in the face of a sharp decline. However, Chinese investors' lack of experience in dealing with risky investment tools such as margin trading and short selling, and the country's perilous experience with futures trading, form a big question mark over the index futures' ultimate fate.

China banned financial futures in the mid-1990s after a scandal involving bond futures nearly brought down the country's financial system.

Analysts say China's securities regulator has chosen a relatively good time to start the stock-index futures. The benchmark Shanghai Composite Index is close to its historical-average level and showing few signs of a price bubble, leaving enough space for investors to bet in either direction.

The index futures will reference the CSI 300 Index, which consists of 300 yuan-denominated A shares listed on the Shanghai and Shenzhen stock exchanges, the Shanghai-based futures exchange said in a statement posted on its Web site.

The exchange also said it will initially trade contracts for May, June, September and December.

"More direct beneficiaries, namely blue chips such as banks, insurers and securities firms, will likely rise on Monday following the news, but the upside could be limited due to uncertainty over further monetary tightening in China," said Jacky Zhang, an analyst at Capital Securities.

The Shanghai Composite Index rose 1.3% to 3059.72 Friday, at a half-way point from its peak of 6124.04 recorded Oct. 16, 2007.

From a technical point of view, the current level is viewed as ideal for the launch of the index futures. "Some may see it as a glass half empty, or half full, I see it as starting at the center of the basketball court," said Qian Qimin, an analyst from Shenyin Wanguo Securities.

In 1995, a trading scandal in which government-bond futures were manipulated threatened the health of the financial system. Memories of that scandal have made regulators leery of financial derivatives.

Financial problems involving derivatives at home and in overseas markets from Singapore to Paris have also curbed Chinese policy makers' desire to resurrect futures.

On the home front, China Eastern Airlines Corp., Air China Ltd. and Shanghai Airlines Co. posted combined losses of 13.2 billion yuan ($1.94 billion) in 2008 on fuel hedges that went awry. Hong Kong-based conglomerate Citic Pacific Ltd. had billions in losses on wrong-way bets on the Australian dollar.

Overseas, Société Générale SA disclosed €4.9 billion ($6.57 billion) in losses in January 2008, which it alleges were due to rogue deals by a low-level derivatives trader. In 1995, illicit deals brought down U.K. lender Barings Bank, after a trader concealed unauthorized trades that racked up losses of $1.38 billion.

Chinese officials have been at pains to assure investors that the start of the stock-index futures won't cause sharp volatility in the market, promising tough regulations and stringent risk controls.

In February, the China Financial Futures Exchange set a threshold of 500,000 yuan for stock-index futures trading accounts, a high entry requirement that will likely keep most individual investors out of the game.

The exchange also said eligible participants must open accounts in person and pass an examination on the basics of the trading. They should have completed at least 20 mock stock-index futures transactions over a maximum of 10 trading sessions, and made at least 10 commodity-futures transactions in the past three years, it said.

If liquidity in the index-futures market proves too thin at the beginning, analysts say the new product could turn into another showcase project for officials, rather than a useful tool for hedging genuine investment risks.

Ex-Lehman bankers promoted at Nomura

By Sara Schaefer Muñoz

Abdelkerim Karim and Sam Ruiz, former Lehman Brothers bankers now working at **Nomura Holdings** Inc., have been named co-heads of the firm's equities business for Europe, the Middle East and Africa, according to Nomura.

Mr. Karim and Mr. Ruiz became part of Nomura when the Tokyo-based investment bank acquired Lehman Brothers' European operations in 2008 after Lehman failed.

Mr. Karim worked at Lehman for nine years before the Nomura acquisition and was head of equity structured products for Europe, the Middle East and Africa in October 2008. Prior to that, he was appointed global head of the equity derivatives quants group in 2003. In March 2008, Mr. Karim was named head of equity structured trading, EMEA.

Mr. Ruiz, head of equities trading for Europe, the Middle East and Africa, joined Lehman in 1989. He held a variety of roles, including head of European program trading and then co-head of execution services and head of trading for Europe.

The move comes as Nomura has nearly completed the build-out of its European equities platform.

Beijing bans investment in real estate by 78 firms

BEIJING—China's banking regulator banned new property loans to 78 companies owned by the central government in an effort to control risks in property credit and curb asset bubbles.

The measures, together with a recent restriction by the state-owned assets regulator, are aimed at state-owned companies that have helped push up asset prices. The 78 companies were banned Friday from investing in property because property isn't their core business.

Meanwhile, the China Banking Regulatory Commission reiterated that banks must not issue new loans to developers found to have hoarded land. The commission said it will "firmly punish misuse of loans in the stock and property markets."

China's urban-property prices rose nearly 11% in February from a year earlier, the fastest pace in nearly two years, but the month-on-month price increase slowed following Beijing's measures to curb speculation in the property sector.

Concerns that home prices in China have grown too fast prompted the government to begin tightening mortgage lending and land sales late last year. Beijing also said it would increase housing supply.

Still, the government is cautious about moving too fast to curb activity in the property market, as the sector has helped drive China's economic recovery.

—Liu Li

The Fed isn't to blame for jump in mortgage rates

[Ahead of the Tape]

By Paul Vigna

Don't blame the Fed for this one. Last week, mortgage rates jumped. But that isn't because the Federal Reserve's $1.25 trillion program to buy mortgage-backed securities formally ends on Wednesday.

In fact, the difference between mortgage rates and Treasury yields remains near the record low engineered by heavy Fed purchases over the past year. It shows little sign of widening sharply, even as investors prepare for that prop to be removed.

Instead, it was the spike in Treasury yields themselves that pushed the cost of borrowing higher for home buyers.

The stable spread between mortgages and Treasurys so far is contrary to fears that once the Fed left the mortgage-backed-securities scene, the difference between the two rates would rise no matter what happened in debt markets.

Given the scale of Fed purchases, that made intuitive sense. When the Fed said at the height of the crisis in November 2008 that it would start buying mortgage-backed securities, the spread between mortgage and Treasury rates was at 2.29 percentage points. That difference dwindled to less than one percentage point as markets stabilized and the Fed vacuumed up supply. Early this month, it fell to a record 0.59 percentage point and recently has sat between 0.6 and 0.7 percentage point.

So why won't the Fed's exit cause excessive pain? For one thing, it has already been slowly winding down this program, since extending it in December. At the same time, investors have been stepping in to fill the hole left by the Fed.

That does raise the possibility that this large increase in government-guaranteed paper available to outside investors will push up the cost of borrowing for the U.S. as a whole. And the mortgage-rate Treasury spread can be expected to widen a bit in coming months.

But Fed Chairman Ben Bernanke during congressional testimony last week said that the mortgage market is "performing better" and that he has seen "very little" negativity about the Fed's exit.

Of course, mortgage rates will rise further if Treasury yields continue to climb. But such an outcome would likely be due to concerns about fiscal imbalances or fears of resurgent inflation, rather than the Fed's Wednesday departure.

Insurers quit investing

'You do it!' is what more of the firms tell outside money managers

By Joe Bel Bruno

Some insurers are concluding they are better at underwriting policies than managing money. Wall Street is more than glad to help.

While many insurers looked after their own investments for decades, lately more have looked for some help, after finding themselves caught off guard by the weakness, or complexity, of their own portfolios.

Insurers last year outsourced management of more than $1.1 trillion, according to industry estimates, up from about $980 billion in 2008.

The financial crisis "made us think about what we are good in and where specialized third parties can add value," said David Blumer, head of asset management and a member of the executive committee at **Swiss Reinsurance** Co.

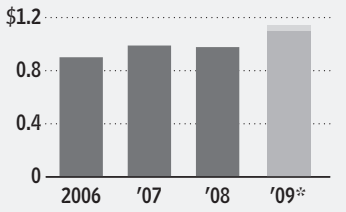
Last year, the company chose **BlackRock** Inc. to look after $23 billion of bond securities of its nearly $160 billion portfolio.

Allstate Corp. got out of the stock-picking business by hiring **Goldman Sachs Group** Inc. to manage a $5 billion equity portfolio out of its overall $100 billion investment pool.

Other big winners include **Conning** & Co., of Hartford, Conn.; **State Street Global Advisors**, part of **State Street** Corp.; and General Re-New England Asset Management, owned by Warren Buffett's **Berkshire Hathaway** Inc.

Help!

Insurers' money managed by others, in trillions



*Estimate
Source: Patpatia & Associates

Some firms that manage insurers' money*

Deutsche Bank	$207
BlackRock	$201
Goldman Sachs Group	$66

*Insurers' assets in billions

Source: The firms

The change is proving a windfall for money managers, many of whom saw asset bases shrink during the downturn. While some firms like Conning have catered to small insurers, the competition has intensified for big companies' business, in which large piles of cash are at stake.

Insurers' assets total about $18 trillion. Though fees typically are low, often well under 0.5%, managers see plenty of room for revenue growth in volume.

Deutsche Bank AG and BlackRock are the two biggest money managers for insurers, controlling about $200 billion in insurance assets each, according to data from the money-management firms and Patpatia & Associates, a Berkeley, Calif., consulting firm that tracks insurers' outside investments and advises them on outsourcing. Both firms say 2009 was a record year in terms of new insurer assets.

Larger insurers that outsource generally said they remain in charge of the overall strategy, choosing outsiders for pockets of their portfolio. Part of their calculus is costs. **Zurich Financial Services** AG outsources about 70% of its $200 billion in assets to more than eight different firms.

That allows the 50-member team to remain "cost effective and lean," said Cecilia Reyes, head of investment strategy implementation at the insurer. She said her staff would more than double if not for the outsourcing.

The move isn't for everyone. **Prudential Financial** Inc., which has its own $260 billion investment portfolio, considers asset management to be a core business. The insurance company employs a staff of 3,000 to look after its own investments and about $273 billion of assets from other companies, including insurers.

Standard Chartered beefing up Asia equities

By Amy Or

HONG KONG—**Standard Chartered** PLC is beefing up its equities business with plans to double its research team in the next 12 months and to expand in India and South Korea.

Equities hasn't been an area of strength for Standard Chartered. But the U.K.-based bank, which makes most of its money in Asia, took a significant step toward changing that in November 2008 when it agreed to buy the Cazenove Asia equities business from a venture now owned by **J.P. Morgan Chase &** Co.

Tim Andrew, the bank's global head of equities, said that with an increase in research, Standard Chartered will cover 650 companies in Asia, outside Japan and Australia, compared with the current 250.

"We are already strong in forex, rates, commodities; now our goal is to build the equities piece," said Mr. Andrew. He said the bank plans to build up its equities trading, sales and research work force by 50% in the first half of 2010, focusing on new markets such as India and South Korea. Standard Chartered is also planning to add people for its equities offering in hubs like Hong Kong and Singapore, he said.

Standard Chartered and **Barclays** PLC have been aggressively hiring staff away from weakened rivals in recent months as they push to expand their offerings in equities and investment banking.

Mr. Andrew, who joined Standard Chartered in January from **Deutsche Bank** AG, said Standard Chartered's emphasis will be on financial institutions, resources, real estate and Cazenove Asia's traditional stronghold of small-to-mid-cap companies.

Investment bankers will also be added in South Korea and India, said May Tan, Standard Chartered's global head of equities corporate finance, but given that there is already some investment banking in those countries through the bank's acquisitions, hiring won't be in the same levels as that for cash equities.

In 2005, Standard Chartered bought Korea First Bank, and 49% in Indian brokerage **UTI Securities** in August 2007.

Meanwhile, the company's annual report shows that Chief Executive Peter Sands received fixed pay of $1.56 million for 2009 and performance shares valued at a further $2.18 million.

A company spokesman said the value of the performance shares is indicative and that Mr. Sands will receive the amount stated by the report in three years only if performance targets are met.

Mr. Sands's fixed salary was little-changed from 2008. He said earlier this month that he had donated his $3.2 million bonus entitlement for 2009 to charity.

Finance Director Richard Meddings had a base salary of $1.13 million, a bonus of $2.2 million and performance shares with an indicative value of $1.34 million.

Standard Chartered's six executive-board members had a combined base salary of around $6.13 million.

Spike in Treasury yields delivers wake-up signal

By Prabha Natarajan

U.S. CREDIT MARKETS

Mortgage investors got an unwelcome wake-up call last week after Treasury yields surged, a jolt that indicated that the Federal Reserve's exit from the market may not go as smoothly as thought.

As the yield on 10-year Treasury notes jumped, yields on **Fannie Mae**'s benchmark 30-year bond followed, rising to 4.45% from 4.33%. That sent mortgage rates above 5%.

It was an unsettling surge as the Fed prepares to end its $1.25 trillion program of buying mortgage securities on Wednesday. Many in the market had come to believe the Fed's exit would have little effect on mortgage bonds. They reasoned there were enough investors hungry for extra yield that they would step in to buy once the Fed left.

Fannie Mae and **Freddie Mac** have also spent more than $150 billion buying delinquent loans from mortgage pools, putting more money in the hands of investors to buy more bonds. That belief is widely shared among Fed officials. Philadelphia Fed President Charles Plosser has said the Fed could begin to sell some of the mortgages it bought without affecting rates.

Last week's auctions sparked worries that mortgage investors may have been a little too relaxed.

"The complacency that the market enjoyed is beginning to evaporate," said Paul Norris at Dwight Asset Management.

Fannie Mae ended Friday at a premium of about 1.226 percentage points to Treasurys, still down from 1.30 percentage point a week earlier. Many investors predicted that the gap may widen just 0.15 to 0.20 percentage point once the Fed leaves. But the move in Treasurys, and a generally unsettled debt market, have sparked some worries that the impact may be bigger.

Analysts say a yield of 3.85% or higher on the 10-year Treasury is the trigger for selling of mortgage bonds. As rates go up, homeowners are less likely to pay their mortgages off early, thus extending the life of the mortgage. Bondholders sell Treasurys as part of a strategy to hedge against this risk. Analysts say a strong U.S payrolls report on Friday could push the yield on the 10-year Treasury above 4%.

As the Treasury yield flirts with these and higher levels, risk premiums on mortgage bonds also are expected to rise.

"We will see more volatility in MBS in [a] post-Fed purchasing world, particularly with the Fed not being a backstop buyer after next week," said Dan Adler at Smith Breeden Associates. Still, he said, mortgage bonds present a good investment, given they are backed by the government. They also have little credit risk, because Fannie and Freddie are buying back existing delinquent loans.

Nikkei rallies to its highest since late '08

By V. Phani Kumar And Colin Ng

ASIAN-PACIFIC STOCKS

Japan's benchmark index briefly topped 11000 Friday before ending the session at its highest since October 2008 amid general relief over sovereign-debt problems in Europe

The Nikkei Stock Average of 225 companies rose 1.6% to 10996.37. The index continued a rally into a seventh week, rising 1.6%.

"I think Japan offers a great risk-reward scenario right now, as there are some real positive factors augmenting the bull story," said Brett McGonegal, a managing director at Cantor Fitzgerald in Tokyo.

"Dollar-yen is cooperating and finally breaking out...Dai-ichi Life's IPO in early April [the biggest IPO in Japan in 10 years] is also providing a lift to investor sentiment."

The strong gains in Tokyo followed news that European leaders and the International Monetary Fund have agreed to support debt burdened-Greece, which pushed the euro higher against the yen and other currencies.

Exporters gained as a result, with **Toyota Motor** climbing 1.5%, **Sony** adding 2.2% and **Mazda Motor** advancing 2.1%.

Elsewhere in Asia, Hong Kong's Hang Seng Index rose 1.3% to 21053.11 and China's Shanghai Composite also added 1.3% to 3059.72. Both reversed Thursday's declines but still fell short for the week. Hong Kong snapped a four-week winning streak, while Shanghai has finished lower for three of the past four weeks.

Major Chinese banks rose in Shanghai as well as in Hong Kong after the nation's largest bank, **Industrial & Commercial Bank of China**, reported on Thursday a 16% rise in 2009 net profit. The lender also said it planned to raise up to 25 billion yuan ($3.66 billion) by issuing bonds that are convertible into its Shanghai-listed Class A shares.

Bank of China rose 1% in Hong Kong and 1.7% in Shanghai, while ICBC added 0.7% in Hong Kong and 0.6% in Shanghai.

FUND SCORECARD

Sector Equity Industrial Materials

more slowly than other large-cap stocks. invest at least 75% of total assets in equities, and invest at least 50% of equity assets in industrial materials companies. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending March 26, 2010

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
2	**iShares DJ STOXX 600 BasRes Swap(DE)**	iShares	EUR	Germany	**1.68**	104.92	-12.82	NS
NS	**db x-trackers DJ STOXX 600 Basic Res**	DB Platinum Advisors	EUR	Luxembrg	**0.89**	104.78	-12.62	NS
2	**iShares DJ STOXX 600 BasRes (DE)**	iShares	EUR	Germany	**1.55**	103.22	-12.97	15.53
1	**Sabadell BS Funds - Eurp Basic Matls**	Europa INVEST S.A.	EUR	Luxembrg	**-1.91**	85.54	-18.91	4.35
2	**ING (L) Invest Europ Materials P Acc**	ING Investment Management Luxembourg	EUR	Luxembrg	**-2.83**	80.40	-13.47	10.25
3	**StreetTR MSCI Europe Materials ETF A/I**	State Street Global Advisors France	EUR	France	**-1.95**	80.33	-11.64	11.90
3	**UBS Sect Port US Industrials B**	UBS Equity Fund Management Company S.A.	USD	Luxembrg	**11.50**	75.05	-8.11	NS
3	**Fortis L Equity Materials Europe Inc**	Fortis Investments (BE)	EUR	Luxembrg	**-3.49**	73.64	-11.37	10.15
3	**iShares DJ STOXX 600 IG&Ser Swap(DE)**	iShares	EUR	Germany	**4.07**	70.02	-6.25	NS
NS	**db x-trackers DJ STOXX 600 Indus Goods**	DB Platinum Advisors	EUR	Luxembrg	**3.60**	69.40	-6.37	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	03/25	EUR	54.76	0.2	44.3	-17.5
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	03/25	USD	10.84	4.5	44.5	-8.4
Am Eq Blend B	US	EQ	LUX	03/25	USD	10.17	4.3	43.4	-9.3
Am Growth A	US	EQ	LUX	03/25	USD	31.84	1.9	43.5	0.9
Am Growth AX	US	EQ	LUX	03/25	USD	34.41	2.0	44.3	1.5
Am Growth B	US	EQ	LUX	03/25	USD	26.71	1.7	42.1	-0.1
Am Growth C	US	EQ	LUX	03/25	USD	28.78	1.8	42.8	0.5
Am Growth I	US	EQ	LUX	03/25	USD	35.35	2.1	44.6	1.8
Am Income A	US	BD	LUX	03/25	USD	8.55	2.4	27.8	7.1
Am Income A2	US	BD	LUX	03/25	USD	19.57	2.8	27.8	7.1
Am Income A2	OT	OT	NA	03/25	HKD	151.89	2.8	27.8	7.1
Am Income AT	OT	OT	NA	03/25	HKD	66.44	2.8	27.8	7.1
Am Income AT	US	BD	LUX	03/25	USD	8.56	2.8	27.8	7.1
Am Income B	US	BD	LUX	03/25	USD	8.55	2.3	26.8	6.3
Am Income B2	US	BD	LUX	03/25	USD	16.84	2.6	26.9	6.4
Am Income B2	OT	OT	NA	03/25	HKD	130.70	2.6	26.9	6.4
Am Income BT	OT	OT	NA	03/25	HKD	66.83	2.6	27.0	6.4
Am Income BT	US	BD	LUX	03/25	USD	8.61	2.6	27.0	6.4
Am Income C	US	BD	LUX	03/25	USD	8.55	2.3	27.2	6.6
Am Income C2	US	BD	LUX	03/25	USD	25.05	2.7	27.2	6.6
Am Income I	US	BD	LUX	03/25	USD	8.55	2.5	28.6	7.8
Am Value A	US	EQ	LUX	03/25	USD	8.88	4.1	33.3	-7.1
Am Value B	US	EQ	LUX	03/25	USD	8.15	3.8	32.1	-8.1
Am Value C	US	EQ	LUX	03/25	USD	8.87	4.0	32.8	-7.6
Am Value I	US	EQ	LUX	03/25	USD	9.57	4.2	34.4	-6.4
Emg Mkts Debt A	GL	BD	LUX	03/25	USD	15.98	3.8	44.0	9.9
Emg Mkts Debt A2	GL	BD	LUX	03/25	USD	20.95	4.2	43.8	9.9
Emg Mkts Debt AT	GL	BD	LUX	03/25	USD	16.09	4.3	44.0	10.0
Emg Mkts Debt B	GL	BD	LUX	03/25	USD	15.98	3.7	42.7	8.8
Emg Mkts Debt B2	GL	BD	LUX	03/25	USD	20.14	4.0	42.4	8.9
Emg Mkts Debt BT	GL	BD	LUX	03/25	USD	16.06	4.0	42.4	8.9
Emg Mkts Debt C	GL	BD	LUX	03/25	USD	15.98	3.7	43.4	9.4
Emg Mkts Debt C2	GL	BD	LUX	03/25	USD	20.57	4.1	43.1	9.5
Emg Mkts Debt I	GL	BD	LUX	03/25	USD	15.98	3.9	44.7	10.5
Emg Mkts Growth A	GL	EQ	LUX	03/25	USD	34.24	-1.2	66.3	-8.8
Emg Mkts Growth B	GL	EQ	LUX	03/25	USD	28.95	-1.4	64.6	-9.7
Emg Mkts Growth C	GL	EQ	LUX	03/25	USD	29.65	-1.3	65.5	-9.2
Emg Mkts Growth I	GL	EQ	LUX	03/25	USD	38.03	-1.0	67.6	-8.1
Eur Growth A	OT	OT	LUX	03/25	USD	9.86	5.7	44.3	-7.9
Eur Growth A	OT	OT	LUX	03/25	EUR	7.43	5.7	44.3	-7.9
Eur Growth B	OT	OT	LUX	03/25	EUR	6.67	5.5	42.8	-8.8
Eur Growth B	OT	OT	LUX	03/25	USD	8.85	5.5	42.8	-8.8
Eur Growth C	EU	EQ	LUX	03/25	EUR	5.62	5.4	43.4	-8.3
Eur Growth I	OT	OT	LUX	03/25	USD	10.77	5.7	45.3	-7.2
Eur Growth I	OT	OT	LUX	03/25	EUR	8.11	5.7	45.3	-7.2
Eur Income A	OT	OT	LUX	03/25	EUR	6.83	4.5	54.4	8.8
Eur Income A	OT	OT	LUX	03/25	USD	9.07	4.5	54.4	8.8
Eur Income A2	OT	OT	LUX	03/25	EUR	13.51	5.0	54.2	8.9
Eur Income A2	OT	OT	LUX	03/25	USD	17.93	5.0	54.2	8.9
Eur Income AT	EU	BD	LUX	03/25	EUR	6.85	5.1	54.5	8.9
Eur Income B	OT	OT	LUX	03/25	EUR	6.83	4.4	53.5	8.1
Eur Income B	OT	OT	LUX	03/25	USD	9.07	4.4	53.5	8.1
Eur Income B2	OT	OT	LUX	03/25	EUR	12.55	4.8	53.2	8.1
Eur Income B2	OT	OT	LUX	03/25	USD	16.66	4.8	53.2	8.1
Eur Income BT	EU	BD	LUX	03/25	EUR	6.85	4.8	53.3	8.2
Eur Income C	OT	OT	LUX	03/25	EUR	6.83	4.4	53.8	8.4
Eur Income C	OT	OT	LUX	03/25	USD	9.07	4.4	53.8	8.4
Eur Income C2	OT	OT	LUX	03/25	EUR	13.45	4.8	53.5	8.4
Eur Income C2	OT	OT	LUX	03/25	USD	17.85	4.8	53.5	8.4
Eur Income I	OT	OT	LUX	03/25	EUR	6.83	4.6	55.1	9.4
Eur Income I	OT	OT	LUX	03/25	USD	9.07	4.6	55.1	9.4
Eur Strat Value A	OT	OT	LUX	03/25	EUR	8.87	4.0	45.9	-13.6
Eur Strat Value A	OT	OT	LUX	03/25	USD	11.77	4.0	45.9	-13.6
Eur Strat Value I	OT	OT	LUX	03/25	EUR	9.10	4.1	47.2	-12.8
Eur Strat Value I	OT	OT	LUX	03/25	USD	12.08	4.1	47.2	-12.8
Eur Value A	OT	OT	LUX	03/25	EUR	9.54	3.7	48.8	-9.5
Eur Value A	OT	OT	LUX	03/25	USD	12.66	3.7	48.8	-9.5
Eur Value B	OT	OT	LUX	03/25	USD	11.62	3.4	47.1	-10.5
Eur Value B	OT	OT	LUX	03/25	EUR	8.75	3.4	47.1	-10.5
Eur Value C	OT	OT	LUX	03/25	USD	12.23	3.6	48.1	-10.0
Eur Value C	OT	OT	LUX	03/25	EUR	9.21	3.6	48.1	-10.0
Eur Value I	OT	OT	LUX	03/25	USD	14.66	4.0	50.0	-8.8
Eur Value I	OT	OT	LUX	03/25	EUR	11.04	4.0	50.0	-8.8
Gl Balanced (Euro) A	OT	OT	LUX	03/25	USD	15.76	3.5	32.3	-5.8
Gl Balanced (Euro) B	OT	OT	LUX	03/25	USD	15.31	3.2	30.9	-6.8
Gl Balanced (Euro) C	OT	OT	LUX	03/25	USD	15.62	3.4	32.0	-6.1
Gl Balanced (Euro) I	OT	OT	LUX	03/25	USD	16.06	3.6	NS	NS
Gl Balanced A	US	BA	LUX	03/25	USD	16.61	0.8	32.0	-7.4
Gl Balanced B	US	BA	LUX	03/25	USD	15.76	0.6	30.8	-8.3
Gl Balanced C	OT	OT	LUX	03/25	USD	16.35	0.7	31.6	-7.7
Gl Balanced C	OT	OT	LUX	03/25	EUR	12.32	0.7	31.6	-7.7
Gl Balanced I	US	BA	LUX	03/25	USD	17.25	0.9	33.0	-6.8
Gl Bond A	US	BD	LUX	03/25	USD	9.37	2.1	17.0	5.2
Gl Bond A2	US	BD	LUX	03/25	USD	16.39	2.4	17.1	5.1
Gl Bond A2	OT	OT	NA	03/25	HKD	127.21	2.4	17.1	5.1
Gl Bond AT	OT	OT	LUX	03/25	HKD	72.80	2.4	17.1	5.2
Gl Bond AT	US	BD	LUX	03/25	USD	9.38	2.4	17.1	5.2
Gl Bond B	US	BD	LUX	03/25	USD	9.37	1.9	15.9	4.1
Gl Bond B2	US	BD	LUX	03/25	USD	14.32	2.1	15.9	4.1
Gl Bond B2	OT	OT	NA	03/25	HKD	111.14	2.1	15.9	4.1
Gl Bond BT	OT	OT	LUX	03/25	HKD	73.04	2.1	16.0	4.1
Gl Bond BT	US	BD	LUX	03/25	USD	9.41	2.1	16.0	4.1
Gl Bond C	US	BD	LUX	03/25	USD	9.37	2.0	16.5	4.7
Gl Bond C2	US	BD	LUX	03/25	USD	14.20	2.2	16.5	4.6
Gl Bond I	US	BD	LUX	03/25	USD	9.37	2.2	17.6	5.7
Gl Conservative A	US	BA	LUX	03/25	USD	14.96	1.1	20.6	-2.1
Gl Conservative A2	US	BA	LUX	03/25	USD	17.12	1.1	20.7	-2.0
Gl Conservative B	US	BA	LUX	03/25	USD	14.96	0.9	19.5	-3.0
Gl Conservative B2	US	BA	LUX	03/25	USD	16.23	0.9	19.5	-3.0
Gl Conservative C	US	BA	LUX	03/25	USD	14.96	1.1	20.2	-2.4
Gl Conservative C2	US	BA	LUX	03/25	USD	16.73	1.0	20.2	-2.5
Gl Conservative I	US	BA	LUX	03/25	USD	15.04	1.3	21.8	-1.2
Gl Eq Blend A	GL	EQ	LUX	03/25	USD	11.62	-0.3	41.9	-16.6
Gl Eq Blend B	GL	EQ	LUX	03/25	USD	10.88	-0.6	40.6	-17.4
Gl Eq Blend C	GL	EQ	LUX	03/25	USD	11.40	-0.5	41.3	-17.0
Gl Eq Blend I	GL	EQ	LUX	03/25	USD	12.28	-0.2	43.1	-15.9
Gl Growth A	GL	EQ	LUX	03/25	USD	41.96	0.1	39.8	-16.6
Gl Growth B	GL	EQ	LUX	03/25	USD	34.95	-0.1	38.4	-17.4
Gl Growth C	GL	EQ	LUX	03/25	USD	40.22	0.0	39.2	-17.0
Gl Growth I	GL	EQ	LUX	03/25	USD	46.68	0.3	40.9	-15.9
Gl High Yield A	US	BD	LUX	03/25	USD	4.48	4.9	64.6	8.8
Gl High Yield A2	US	BD	LUX	03/25	USD	9.75	5.3	64.1	8.6
Gl High Yield A2	OT	OT	NA	03/25	HKD	75.67	5.3	64.1	8.6
Gl High Yield AT	OT	OT	NA	03/25	HKD	34.54	5.4	64.0	8.6
Gl High Yield AT	US	BD	LUX	03/25	USD	4.45	5.4	64.0	8.6
Gl High Yield B	US	BD	LUX	03/25	USD	4.48	4.7	62.6	7.4
Gl High Yield B2	US	BD	LUX	03/25	USD	15.65	5.2	62.5	7.6
Gl High Yield B2	OT	OT	NA	03/25	HKD	121.47	5.2	62.5	7.6
Gl High Yield BT	OT	OT	NA	03/25	HKD	35.16	5.1	62.7	7.7
Gl High Yield BT	US	BD	LUX	03/25	USD	4.53	5.1	62.7	7.7
Gl High Yield C	US	BD	LUX	03/25	USD	4.48	4.8	63.7	8.2
Gl High Yield C2	US	BD	LUX	03/25	USD	14.45	5.3	63.5	8.3
Gl High Yield I	US	BD	LUX	03/25	USD	4.48	5.0	65.7	9.5
Gl Thematic Res. A	OT	OT	LUX	03/25	USD	14.79	0.4	60.4	-1.0
Gl Thematic Res. B	OT	OT	LUX	03/25	USD	12.91	0.2	58.8	-2.0
Gl Thematic Res. I	OT	OT	LUX	03/25	USD	16.52	0.5	61.6	-0.3
Gl Value A	GL	EQ	LUX	03/25	USD	11.06	-0.7	44.6	-16.5
Gl Value B	GL	EQ	LUX	03/25	USD	10.13	-1.1	43.1	-17.4
Gl Value C	GL	EQ	LUX	03/25	USD	10.73	-0.9	43.8	-16.9
Gl Value I	GL	EQ	LUX	03/25	USD	11.78	-0.6	45.8	-15.9
Greater China A	AS	EQ	LUX	03/25	USD	38.73	-3.2	48.6	-6.7
Greater China B	AS	EQ	LUX	03/25	USD	34.20	-3.4	47.2	-7.6
Greater China C	AS	EQ	LUX	03/25	USD	38.20	-3.3	47.9	-7.1
India Growth A	OT	OT	LUX	03/25	USD	132.92	4.7	NS	NS
India Growth AX	OT	OT	LUX	03/25	USD	116.26	4.8	120.3	3.6
India Growth B	OT	OT	LUX	03/25	USD	138.93	4.5	NS	NS
India Growth BX	OT	OT	LUX	03/25	USD	99.15	4.6	118.1	2.6
India Growth I	EA	EQ	LUX	03/25	USD	120.62	4.9	121.3	4.0
Int'l Health Care A	OT	EQ	LUX	03/25	USD	143.75	4.6	34.1	-1.6
Int'l Health Care B	OT	EQ	LUX	03/25	USD	120.97	4.3	32.8	-2.6
Int'l Health Care C	OT	EQ	LUX	03/25	USD	137.62	4.5	33.5	-2.1
Int'l Health Care I	OT	EQ	LUX	03/25	USD	157.35	4.8	35.2	-0.8
Int'l Technology A	OT	EQ	LUX	03/25	USD	112.44	1.9	54.1	-3.5
Int'l Technology B	OT	EQ	LUX	03/25	USD	97.20	1.6	52.6	-4.5
Int'l Technology C	OT	EQ	LUX	03/25	USD	108.55	1.8	53.4	-3.9
Int'l Technology I	OT	EQ	LUX	03/25	USD	126.30	2.1	55.4	-2.8
Japan Eq Blend A	JP	EQ	LUX	03/25	JPY	6216.00	3.2	24.9	-13.7
Japan Eq Blend B	JP	EQ	LUX	03/25	JPY	5984.00	2.9	23.7	-14.6
Japan Eq Blend C	JP	EQ	LUX	03/25	JPY	6110.00	3.1	24.4	-14.1
Japan Growth A	JP	EQ	LUX	03/25	JPY	5888.00	0.2	15.7	-15.5
Japan Growth B	JP	EQ	LUX	03/25	JPY	5669.00	0.0	14.6	-16.4
Japan Growth C	JP	EQ	LUX	03/25	JPY	5788.00	0.1	15.2	-15.9
Japan Strat Value A	JP	EQ	LUX	03/25	JPY	6488.00	6.0	34.0	-12.4
Japan Strat Value B	JP	EQ	LUX	03/25	JPY	6253.00	5.8	32.7	-13.3
Japan Strat Value C	JP	EQ	LUX	03/25	JPY	6372.00	5.9	33.3	-12.8
Real Estate Sec. A	OT	EQ	LUX	03/25	USD	14.70	2.4	69.7	-11.6
Real Estate Sec. B	OT	EQ	LUX	03/25	USD	13.41	2.2	68.0	-12.5
Real Estate Sec. I	OT	EQ	LUX	03/25	USD	15.82	2.6	71.0	-10.9
Short Mat Dollar A	US	BD	LUX	03/25	USD	7.35	1.7	15.2	0.0
Short Mat Dollar A2	US	BD	LUX	03/25	USD	9.98	1.9	15.2	-0.1
Short Mat Dollar AT	US	BD	LUX	03/25	USD	7.35	2.0	15.2	0.0
Short Mat Dollar B	US	BD	LUX	03/25	USD	7.35	1.6	14.7	-0.4
Short Mat Dollar B2	US	BD	LUX	03/25	USD	9.92	1.8	14.7	-0.5
Short Mat Dollar BT	OT	OT	LUX	03/25	USD	7.36	1.8	NS	-0.7
Short Mat Dollar C	US	BD	LUX	03/25	USD	7.35	1.6	14.7	-0.4
Short Mat Dollar C2	US	BD	LUX	03/25	USD	14.03	1.9	14.7	-0.5
Short Mat Dollar I	US	BD	LUX	03/25	USD	7.35	1.8	15.8	0.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	02/26	USD	1828.22	8.1	78.9	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	03/23	USD	107.18	7.2	30.0	22.7
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	12/31	USD	97.22	15.7	15.7	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	12/31	USD	116.00	12.9	12.9	-29.1
Platinm-Emancipation	OT	OT	USA	01/29	USD	94.67	1.7	28.8	-5.0
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	12/31	USD	62.80	37.2	37.2	-26.9
Platinm-Nordic	OT	OT	CYM	01/29	SEK	627.50	1.6	14.6	-12.4
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	01/29	USD	60.80	1.2	NS	-27.0
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	03/23	USD	40.93	0.4	-50.7	-17.8
Superfund GCT USD*	GL	EQ	LUX	03/23	USD	2175.00	-0.9	-40.1	-16.9
Superfund Green Gold A (SPC)	OT	OT	CYM	03/23	USD	964.14	0.0	-18.9	-5.8
Superfund Green Gold B (SPC)	OT	OT	CYM	03/23	USD	933.64	-0.2	-32.3	-12.3
Superfund Q-AG*	OT	OT	AUT	03/23	EUR	6706.00	1.3	-23.4	-3.8
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	02/26	EUR	948.03	0.3	-6.0	NS
Winton Evolution GBP Cls G	OT	OT	CYM	02/26	GBP	955.79	0.7	-5.2	NS
Winton Evolution USD Cls F	OT	OT	CYM	02/26	USD	1203.51	0.4	-5.9	-0.4
Winton Futures EUR Cls C	OT	OT	VGB	02/26	EUR	196.04	-0.4	-5.7	1.6
Winton Futures GBP Cls D	OT	OT	VGB	02/26	GBP	212.20	-0.3	-5.3	2.4
Winton Futures JPY Cls E	OT	OT	VGB	02/26	JPY	13835.61	-0.4	-6.5	-0.6
Winton Futures USD Cls B	OT	OT	VGB	02/26	USD	696.79	-0.4	-5.7	1.3
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	03/26	EUR	53.30	2.4	56.9	-1.1
Industria AE	EU	EQ	DEU	03/26	EUR	72.58	2.9	43.5	-7.4
InternRent AE	EU	BD	DEU	03/26	EUR	37.66	7.6	11.3	12.4
■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	03/19	USD	323819.99	18.0	171.4	19.6

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INTERNATIONAL INVESTOR

Greek deal gives euro a rest on slide to $1.30

By Fabio Alves

The euro-zone deal on a safety net for Greece helped to calm investors' worst fears, but the euro's woes aren't over.

Euro-zone members agreed Thursday to provide backstop loans for Greece in conjunction with the International Monetary Fund. News of the accord helped to set off a relief rally for the euro, yet the common currency is still down 6.8% against the dollar this year. Late Friday in New York, the euro was at $1.3415 from $1.3282 Thursday.

CURRENCY MARKETS

The euro was also trading up against Japan's currency, at 124.12 yen from 123.14 yen, while the dollar was at 92.52 yen from 92.71 yen. The dollar was buying 1.0659 Swiss francs, from 1.0739 francs, and the British pound was at $1.4903 from $1.4817.

Thursday's "agreement has bought the euro some time but nothing more," said Michael Hewson, a currency strategist at CMC Markets in London. He and others said they still expect the common currency to fall toward $1.30 in the coming months.

This week, Greece is expected to tap the public debt markets—the first test of whether the backstop will be sufficient to lower the rates the highly indebted country has to pay.

The key issue is the need for the Greek government to reduce its borrowing costs in order to cut its ballooning budget deficit. Investors demand yields around 6.24% on Greece's 10-year bonds, nearly twice as high as the yield on the euro zone's benchmark German bond at 3.16%. After selling 10- and five-year bond issues this year, Greece's next deal is expected to be either three-year or a seven-year issue, more likely the latter.

Greece has to meet €11 billion ($14.6 billion) in debt-servicing obligations in April, according to data from the Greek Public Debt Management Agency. In May, a further €11.65 billion will be due.

Access to the public-debt markets is just one of the hurdles the weaker euro-zone countries and the shared currency face.

As Germany pressures other euro-zone members to reduce their fiscal gaps, economic growth will be the next problem weighing on the common currency, said Sebastien Galy, a currency strategist at PNB Paribas in New York.

With Europe's economic growth probably trailing that of the U.S., gains in U.S. nonfarm-payroll numbers for March, due Friday morning, will fuel expectations that the Federal Reserve will tighten monetary policy ahead of the European Central Bank. That will boost demand for the dollar and add to the selling pressure on the euro. Economists expect the U.S. payrolls report to show solid jobs growth.

JGB yield rises as yen falls, stocks gain

By Andrew Monahan

TOKYO—The benchmark 10-year Japanese government bond yield hit a 19-week high Friday, as a weaker yen sparked an exporter-led rise in equities that ate into demand for a government-debt haven.

JGB prices may continue falling this week, as Japanese institutional investors trim their bond holdings before the fiscal-year end on Wednesday, analysts said. Any continued falls in U.S. Treasury prices, dragged lower this week in part on supply concerns, may also weigh on Japanese government bonds, they said.

BOND MARKETS

The benchmark 10-year yield briefly hit 1.385%, the highest since Nov. 12 and ended up 0.015 percentage point at 1.375%.

The stronger equities overshadowed a report showing Japan's core consumer-price index fell slightly more than expected, down 1.2% on year in February, the 12th straight decline. That means the Bank of Japan is likely to keep monetary policy extremely loose for the foreseeable future, a positive for government debt. But with such expectations already priced in, Friday's price report didn't prompt buying, analysts said.

Bond weakness could persist in the coming weeks, particularly if global share markets rebound further, some analysts said.

China Lodging takes off with a 14% gain in U.S.

By Lynn Cowan

Hotel chain **China Lodging Group** Ltd. encountered a warm reception from U.S. IPO investors on Friday, gaining 14% on its first day as a public company.

It was the last of four IPOs that west public last week; all have performed well, a sign of strength for the new-issuance market.

IPO FOCUS

The company's stock closed at $13.92 a share on the Nasdaq Stock Market, up from its initial-public-offering price of $12.25. It sold nine million American depository shares at the high end of its expected $10.25 to $12.25 price range.

The three other stocks that debuted in the U.S.—**MaxLinear** Inc., **Calix Networks** Inc., and **First Interstate BancSystem** Inc.—also rose on their first days of trading, with MaxLinear pricing above its expected range, Calix at the high end, and First Interstate toward the low end. Until this month, the majority of the stocks this year had priced below their expected ranges and showed only slight gains on their first days.

But the rising tide of the improving U.S. IPO market hasn't lifted all ships. An offering of **Alma Maritime** Ltd., which was supposed to debut on the New York Stock Exchange this week, was postponed after failing to price. Also encountering difficulty is Chinese advertising firm **Redgate Media Group**, which cut its price range earlier this month and still hasn't gone public.

Until China Lodging came along, Chinese stocks have had difficulty debuting in the U.S. in recent months. The company directly operates 173 leased hotels and 63 franchised ones, with another 140 locations under development.

The company, which was launched in 2005, is part of a burgeoning chain hotel sector in China. The industry is at an earlier stage of development than in most developed nations; lodging in China traditionally has been dominated by individual guest houses and the occasional upscale hotel. But the country's swift growth, higher average income and increased business travel have created an environment for chains to flourish.

One factor in China Lodging's favor is the experience brought to it by its founder and executive chairman, Qi Ji, who also co-founded both Home Inns and online travel services provider **Ctrip.com International** Ltd. Ctrip.com additionally purchased 7.2 million shares from China Lodging at its IPO price.

China Lodging reported losses in 2007 and 2008 because a significant portion of its leased hotels were in higher-cost development and ramp-up stages. As more matured in 2009, the company was able to post a profit of $7.5 million on revenue that grew 65% to $189 million in 2009.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	03/19	USD	1307.61	5.2	31.2	-5.1
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	03/22	JPY	14639.66	-5.8	63.2	6.8
GAM Asia Equity Hedge US	OT	OT	VGB	03/22	USD	273.64	-5.7	71.2	8.3
GAM Asia Equity USD	OT	OT	VGB	03/25	USD	639.84	-2.1	62.8	-5.5
GAM Asia-Pacific Eq USD	OT	OT	VGB	03/23	USD	1359.38	6.0	47.6	-5.7
GAM Com Glb Bal EUR Op	US	BA	VGB	03/22	EUR	99.07	2.1	28.3	-4.5
GAM Com Glb Bal USD Op	US	BA	VGB	03/22	USD	130.44	2.1	28.3	-4.5
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	03/22	EUR	103.46	2.6	45.8	-8.4
GAM Comp Glb Eq USD Op	GL	EQ	VGB	03/22	USD	130.79	2.6	45.8	-8.4
GAM Comp Glb Gr EUR Op	US	BA	VGB	03/22	EUR	90.27	1.6	32.2	-7.4
GAM Comp Glb Gr USD Op	US	BA	VGB	03/22	USD	129.05	1.6	32.2	-7.4
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	03/19	USD	259.62	4.4	60.6	-1.7
GAM Cross Trading Inc	OT	OT	VGB	03/22	USD	461.08	-1.0	3.5	NS
GAM Diversity CHF Op	OT	OT	VGB	03/22	CHF	94.67	0.4	4.4	-5.3
GAM Diversity EUR Op	OT	OT	VGB	03/22	EUR	651.98	0.5	5.0	-3.8
GAM Diversity USD 2.5XL	OT	OT	VGB	03/15	USD	78.83	0.7	8.2	-16.4
GAM Diversity USD Op	OT	OT	VGB	03/22	USD	684.72	0.6	5.2	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	03/22	CHF	99.88	0.4	3.8	-4.9
GAM Dvrsty II EUR Op	OT	OT	VGB	03/22	EUR	139.46	0.5	4.1	-3.9
GAM Dvrsty II USD Op	OT	OT	VGB	03/22	USD	211.23	0.5	4.4	-4.2
GAM DvrstyIII EUR Op	OT	OT	VGB	03/15	EUR	115.98	0.4	3.3	-4.2
GAM DvrstyIII USD Op	OT	OT	VGB	03/15	USD	122.48	0.4	3.6	-4.4
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	03/22	EUR	225.48	3.0	17.0	0.5
GAM Euro Eq Hdg USD Op	OT	OT	VGB	03/22	USD	209.21	2.9	18.3	2.1
GAM European Equity USD	OT	OT	VGB	03/25	USD	285.51	-3.2	39.4	-8.3
GAM GAMCO	OT	EQ	VGB	03/23	USD	870.90	7.4	75.9	-1.8
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	03/22	EUR	99.36	1.5	15.0	-13.1
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	03/22	USD	104.83	1.6	15.7	-12.2
GAM Gbl Divers USD Inc.	GL	EQ	VGB	03/22	USD	261.08	4.5	50.4	0.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	03/22	USD	274.44	-4.3	105.1	29.7
GAM Intrst Trend II	GL	BD	VGB	03/22	USD	111.28	18.2	100.8	2.7
GAM Intrst Trend Inc	OT	OT	VGB	03/22	USD	297.81	18.4	117.6	5.2
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	03/22	EUR	129.36	10.8	29.5	7.8
GAM Japan Eq Hdg USD Op	OT	OT	VGB	03/22	USD	132.41	8.5	27.5	-5.8
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	03/22	JPY	9113.20	8.4	28.6	-5.2
GAM Japan USD	JP	EQ	VGB	03/25	USD	1201.78	9.0	28.1	-9.0
GAM Japan YEN	JP	EQ	VGB	03/25	JPY	9590.17	8.7	24.6	-11.5
GAM Money Mkt EuroOp	EU	MM	VGB	03/25	EUR	51.17	0.7	0.8	1.6
GAM Money Mkt USD	US	MM	VGB	03/25	USD	100.03	0.1	0.0	0.5
GAM Multi-Arb EUR Op	OT	OT	VGB	03/22	EUR	112.88	1.5	1.7	-6.6
GAM Multi-Arb USD Op	OT	OT	VGB	03/15	USD	117.67	1.4	1.4	-7.0
GAM Multi-China EUR Op	OT	OT	VGB	03/22	EUR	165.57	-1.4	10.4	-0.9
GAM Multi-China USD Op	OT	OT	VGB	03/22	USD	174.46	-1.2	11.2	-1.3
GAM Multi-Emer Mkts GBP	OT	OT	VGB	03/22	GBP	132.09	0.4	26.0	0.6
GAM Multi-Emer Mkts USD	OT	OT	VGB	03/22	USD	653.74	0.4	26.1	0.2
GAM Multi-Eur EUR Op	OT	OT	VGB	03/22	EUR	268.84	0.0	6.0	-4.0
GAM Multi-Eur II EUR Op	OT	OT	VGB	03/22	EUR	138.33	0.0	6.0	-4.0
GAM Multi-Eur II USD Op	OT	OT	VGB	03/22	USD	113.06	0.0	5.9	-5.0
GAM Multi-Eur USD Op	OT	OT	VGB	03/22	USD	468.06	0.1	6.0	-4.8
GAM Multi-Nth Am EUR Special	OT	OT	VGB	03/22	EUR	133.67	-0.2	7.2	-0.6
GAM Multi-Nth Am USD Special	OT	OT	VGB	03/22	USD	217.46	-0.3	7.3	-0.7
GAM Multi-Pac EUR Op	GL	EQ	VGB	03/22	EUR	142.53	-0.6	3.5	-1.0
GAM Multi-Pac USD Op	OT	OT	VGB	03/22	USD	164.66	-0.5	3.9	-1.2
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	03/19	USD	2783.21	5.5	74.7	13.8
GAM Sing/Malaysia	AS	EQ	VGB	03/25	USD	2526.93	0.1	70.9	-2.1
GAM Sterling Spe Bd Inc	OT	OT	VGB	03/22	GBP	244.65	6.4	65.5	8.7
GAM Trading EUR Inc	OT	OT	VGB	03/22	EUR	321.65	-1.1	3.2	2.3
GAM Trading USD Inc	OT	OT	VGB	03/22	USD	963.17	-1.0	3.6	1.6
GAM Trdg II IncEUR Op	OT	OT	VGB	03/22	EUR	137.63	-1.0	3.1	2.3
GAM Trdg II IncUSD Op	OT	OT	VGB	03/22	USD	312.75	-1.0	3.6	1.6
GAM Trdg IV IncEUR Op	OT	OT	VGB	03/22	EUR	145.15	-1.1	2.9	2.0
GAM Trdg IV IncUSD Op	OT	OT	VGB	03/22	USD	152.90	-1.0	3.3	1.5
GAM Trdg V IncEUR Op	OT	OT	VGB	03/15	EUR	123.10	-1.1	2.5	2.0
GAM Trdg V IncUSD Op	OT	OT	VGB	03/15	USD	128.33	-1.0	3.1	1.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	03/22	EUR	155.19	-1.2	2.9	2.0
GAM TrdgIII IncUSD Op	OT	OT	VGB	03/22	USD	160.82	-1.0	3.4	1.5
GAM USDSpecBondInc	US	BD	VGB	03/22	USD	586.06	10.6	116.3	14.4
GAM Worldwide	GL	EQ	VGB	03/25	USD	2207.09	-1.3	41.0	-6.1
GAMut Investments	OT	OT	VGB	03/24	USD	7720.97	1.7	3.6	6.5

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	03/25	CHF	11.16	1.4	50.2	-1.7
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	03/25	EUR	12.54	5.4	63.0	4.2
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	03/25	GBP	1.67	6.5	59.2	11.9
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	03/25	USD	13.08	-2.0	61.3	-2.9
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	03/25	EUR	112.93	11.6	36.3	0.6
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	03/25	EUR	109.29	11.6	36.3	0.6
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	03/25	EUR	11.61	4.6	43.2	0.6
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	03/25	EUR	192.85	4.3	43.2	-1.7
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	03/25	EUR	176.22	4.3	43.2	-1.7
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	03/25	USD	15.61	-3.0	41.5	-8.1
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	03/25	USD	14.16	-3.0	41.5	-8.1
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	03/24	USD	6.04	10.0	45.9	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	03/25	EUR	99.25	12.9	27.6	-0.1
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	03/25	EUR	99.25	12.9	27.6	-0.1
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	03/25	JPY	998.33	8.3	22.7	-10.7
GAMStar-JpnEq USD Acc	JP	EQ	IRL	03/25	USD	12.05	8.6	26.3	-8.1
GAMStar-World EqUSD Acc	GL	EQ	IRL	03/25	USD	2222.92	-1.1	41.9	-5.5

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American Growth	US	EQ	LUX	03/26	USD	15.76	3.5	45.2	-7.3
American Growth AA	US	EQ	LUX	03/26	USD	0.91	3.5	44.8	-4.6
Asian Equity	AS	EQ	LUX	03/26	USD	2.43	-1.6	60.0	-3.8
Asian Equity AA	AS	EQ	LUX	03/26	USD	0.78	-1.6	59.4	-4.1
Asian Sm Cap Equity AA	AS	EQ	LUX	03/26	USD	1.23	5.4	108.7	5.2
China Value A	AS	EQ	LUX	03/26	USD	6.92	-3.3	57.8	2.3
China Value AA	AS	EQ	LUX	03/26	USD	2.18	-3.4	57.4	2.1
Dragon Growth	AS	EQ	LUX	03/26	USD	1.61	-3.3	58.3	-0.9
Dragon Growth AA	OT	OT	LUX	03/26	HKD	7.84	-3.2	58.1	-1.5
Emg Eastrn Europe A	EU	EQ	LUX	03/26	USD	4.80	3.6	105.4	-12.0
Emg Eastrn Europe AA	EU	EQ	LUX	03/26	USD	2.07	3.5	105.0	-12.1
European Growth	EU	EQ	LUX	03/26	USD	8.95	-2.4	55.2	-15.1
European Growth AA	EU	EQ	LUX	03/26	USD	0.64	-2.4	54.8	-15.3
Global Contrarain AA	GL	EQ	LUX	03/26	USD	0.93	5.3	87.7	NS
Global Property AA	OT	EQ	LUX	03/26	USD	0.70	2.6	79.9	-8.8
Global Resources AA	OT	EQ	LUX	03/26	USD	1.05	-1.4	42.2	-11.4
Healthcare AA	OT	EQ	LUX	03/26	USD	1.01	6.8	38.3	NS
India Equity AA	EA	EQ	LUX	03/26	USD	1.12	0.9	88.4	-4.0
International Growth	GL	EQ	LUX	03/26	USD	3.08	1.3	36.9	-11.1
International Growth AA	GL	EQ	LUX	03/26	USD	0.72	1.2	36.6	-11.3
Japanese Growth	JP	EQ	LUX	03/26	USD	2.85	2.8	26.2	-9.5
Japanese Growth AA	JP	EQ	LUX	03/26	USD	0.75	3.4	26.8	-9.5
Latin America Equity AA	GL	EQ	LUX	03/26	USD	1.26	-1.4	90.7	-2.5
Manulife GF Strategic Income Fund AA	OT	OT	NA	03/26	USD	1.04	3.7	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	03/26	USD	1.16	1.1	NS	NS
Russia Equity AA	EE	EQ	LUX	03/26	USD	0.70	7.6	113.8	-15.7
Taiwan Equity AA	AS	EQ	LUX	03/26	USD	1.02	-5.6	59.3	-6.5
Turkey Equity AA	EE	EQ	LUX	03/26	USD	0.82	4.4	151.3	5.6
U.S. Bond AA	US	BD	LUX	03/26	USD	1.14	2.8	20.2	8.3
U.S. Sm Cap Equity AA	US	EQ	LUX	03/26	USD	0.93	15.1	85.4	-0.8
U.S. Special Opportunities	OT	OT	LUX	03/26	USD	0.91	11.8	106.6	12.4
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	03/26	USD	1.14	0.0	5.3	0.8

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Indonesian Grth Fund	EA	EQ	CYM	03/17	USD	140.57	10.4	157.3	4.4

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Asia Value Formula Fd-B	AS	EQ	CYM	03/25	USD	8.19	2.1	80.8	0.8

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Bonds Eur Hi Yld A	OT	OT	LUX	03/24	EUR	21.87	6.3	62.2	7.4
Bonds EURO A	OT	OT	LUX	03/25	EUR	41.73	1.7	6.0	5.3
Bonds EUROPE A	OT	OT	LUX	03/25	EUR	39.77	1.7	5.6	4.8
Bonds US OppsCoreplus A	OT	OT	LUX	03/24	USD	37.45	1.5	16.6	7.7
Bonds World A	OT	OT	LUX	03/25	USD	40.96	-2.5	7.5	0.7
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	03/25	USD	10.32	-0.9	67.0	-3.7
Eq. China A	AS	EQ	LUX	03/25	USD	22.54	-6.6	51.3	-0.9
Eq. Concentrated Euroland A	OT	OT	LUX	03/25	EUR	93.80	0.9	30.5	-9.7
Eq. ConcentratedEuropeA	EU	EQ	LUX	03/25	EUR	27.54	2.0	44.0	-8.9
Eq. Emerging Europe A	OT	OT	LUX	03/25	EUR	26.46	12.3	88.0	-13.6
Eq. Euroland A	EU	EQ	LUX	03/25	EUR	11.00	1.6	38.1	-10.4
Eq. Euroland Small Cap A	OT	OT	LUX	03/25	EUR	151.47	7.3	58.1	-2.1
Eq. EurolandCyclclsA	EU	EQ	LUX	03/24	EUR	18.51	4.0	43.1	-4.4
Eq. EurolandFinancialA	OT	EQ	LUX	03/25	EUR	11.10	-1.9	56.4	-15.3
Eq. Glbl Emg Cty A	GL	EQ	LUX	03/25	USD	9.08	-6.2	49.5	-12.1
Eq. Global A	GL	EQ	LUX	03/25	USD	28.56	2.5	48.0	-8.0
Eq. Global Energy A	OT	EQ	LUX	03/25	USD	17.46	-3.7	26.4	-13.7
Eq. Global Resources A	OT	OT	LUX	03/25	USD	106.54	-2.4	40.2	-11.5
Eq. Gold Mines A	OT	OT	LUX	03/25	USD	28.79	-5.0	20.1	-4.8
Eq. India A	OT	OT	LUX	03/25	USD	132.26	1.2	88.2	-4.0
Eq. Japan CoreAlpha A	OT	OT	LUX	03/25	JPY	7819.58	7.8	25.6	-3.4
Eq. Latin America A	OT	OT	LUX	03/25	USD	112.44	-3.3	74.2	-8.8
Eq. US Lg Cap Gr A	US	EQ	LUX	03/25	USD	15.79	3.5	45.1	-7.1
Eq. US Rel Val A	US	EQ	LUX	03/25	USD	21.62	5.0	52.3	-9.8
Eq. US Sm Cap Val A	US	EQ	LUX	03/25	USD	17.23	8.0	57.8	-12.4
Money Market EURO A	EU	MM	LUX	03/25	EUR	27.42	0.1	0.6	2.2
Money Market USD A	US	MM	LUX	03/24	USD	15.83	0.0	0.3	1.2

The National Investor

■ THE NATIONAL INVESTOR
TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	03/18	USD	928.37	-3.4	7.4	-30.9
TNI MENA Special Sits Fund	OT	OT	BMU	02/28	USD	1109.04	2.8	16.0	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	03/18	AED	5.28	-1.0	24.3	-33.1

Value Partners
Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487
**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	03/15	USD	29.49	-1.2	94.1	7.9
Intel-China Converg*	AS	EQ	CYM	03/15	USD	112.04	-1.7	93.9	5.5
VP Classic - A	AS	EQ	CYM	03/25	USD	189.11	1.4	77.5	9.9
VP Classic - B	AS	EQ	CYM	03/25	USD	88.04	1.3	76.6	9.3
VP High Dividend Stk	AS	EQ	CYM	03/22	USD	47.56	4.7	91.6	13.0

yuki
Yuki Management & Research
Tel +81-3-5296-3277 www.yukijapan.co.jp

■ YUKI INTERNATIONAL LIMITED
Tel +44-207-269 0203 www.yukifunds.com

■ YMR-N Series									
YMR-N Growth Fund	OT	OT	IRL	03/26	JPY	9676.00	2.3	21.9	-14.0
YMR-N Small Cap Fund	OT	OT	IRL	03/26	JPY	6990.00	-0.3	21.3	-14.9
■ Yuki 77 Series									
Yuki 77 General	JP	EQ	IRL	03/26	JPY	6248.00	1.6	10.5	-17.6
Yuki 77 Growth	JP	EQ	IRL	03/26	JPY	5588.00	-1.0	3.1	-22.6
■ Yuki Chugoku Series									
Yuki Chugoku Jpn Gen	JP	EQ	IRL	03/26	JPY	7097.00	4.0	18.7	-13.3
Yuki Chugoku JpnLowP	JP	EQ	IRL	03/26	JPY	8238.00	9.2	13.2	-12.5
■ Yuki Hokuyo Japan Series									
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	03/26	JPY	4849.00	3.8	15.7	-17.7
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	03/26	JPY	5566.00	6.1	17.3	-12.6
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	03/26	JPY	5056.00	-1.0	19.2	-15.0
■ Yuki Mizuho Series									
Yuki Mizuho Gen Jpn III	OT	OT	IRL	03/26	JPY	4485.00	1.5	14.6	-21.4
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	03/26	JPY	4727.00	1.3	14.4	-21.5
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	03/26	JPY	7052.00	1.2	21.4	-16.3
Yuki Mizuho Jpn Gen	OT	OT	IRL	03/26	JPY	8997.00	4.4	19.0	-12.8
Yuki Mizuho Jpn Gro	OT	OT	IRL	03/26	JPY	6381.00	0.4	12.3	-16.6
Yuki Mizuho Jpn Inc	OT	OT	IRL	03/26	JPY	7982.00	4.6	8.6	-15.5
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	03/26	JPY	5384.00	3.8	16.6	-14.5
Yuki Mizuho Jpn LowP	OT	OT	IRL	03/26	JPY	12255.00	6.0	20.0	-10.3
Yuki Mizuho Jpn PGth	OT	OT	IRL	03/26	JPY	7910.00	-0.6	11.6	-18.9
Yuki Mizuho Jpn SmCp	OT	OT	IRL	03/26	JPY	7054.00	-1.2	26.2	-15.6
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	03/26	JPY	5900.00	4.5	18.7	-12.1
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	03/26	JPY	2757.00	1.1	24.5	-19.8
■ Yuki Shizuoka Japan Series									
Yuki Shizuoka General Japan	JP	EQ	IRL	03/26	JPY	5667.00	4.5	17.5	-14.1

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Sweden	-0.49%	8.6%	63.2%
Japan	1.52	6.7	19.7
Turkey	-0.44	5.4	114.3
Switzerland	-0.52	5.3	48.5
Netherlands	-0.42	5.2	62.3
U.K.	-0.52	4.8	46.8
South Africa	-0.21	2.3	27.0
Germany	-0.22	2.1	38.5
Australia	0.35	2.1	32.1
Canada	-0.06	1.3	31.8
France	-0.34	0.9	41.6
Russia	1.30	0.4	64.9
Singapore	0.59	0.1	68.8
Italy	-0.03	-0.3%	43.9
South Korea	0.55	-0.4	39.2
Hong Kong	1.23	-2.8	38.1
Spain	-0.20	-4.7	31.8
Brazil	0.20	-7.6	80.6
China 88	1.47	-10.0	24.6

Dow Jones Regional Sector Titans

Travel Leisure	0.82%	10.0%	50.8%
Ind Gds Svcs	0.36	9.3	64.4
Arab 50	0.59	7.6	29.3
Pers H'hold Gds	0.63	7.1	45.6
Retail	0.17	5.9	40.0
Media	0.34	5.0	57.7
Banks	0.15	3.4	75.4
Asian 50	0.70	3.4	40.9
Global 50	-0.07	-0.6%	35.3
Tiger 50*	1.10	-3.1	52.9

*Asia excluding Japan

Source: Dow Jones Indexes

Dow Jones Asia Titans: Friday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Japan Tobacco	Japan	Tobacco	$36.2	349,500	3.56%	28.0%	-39.6%
Shin-Etsu Chml	Japan	Specialty Chemicals	25.2	5,500	3.38	7.4	-23.5
Panasonic	Japan	Consumer Electronics	31.6	1,414	2.54	21.8	-40.5
Seven I Hldgs	Japan	Broadline Retailers	21.1	2,170	2.36	-3.6	-39.6
Tokio Marine Hldgs	Japan	Property Casualty Insurance	22.1	2,599	2.32	-5.3	-40.4
Hon Hai Precision Ind	Taiwan	Electrical Components Equipment	$36.0	134.50	-1.47%	97.8	-3.9
Woodside Petroleum	Australia	Exploration Production	33.0	46.92	-1.18	14.4	18.8
PetroChina	Hong Kong	Integrated Oil Gas	23.8	8.75	-0.79	31.6	-5.6
RioZim Ltd	Australia	General Mining	43.0	78.32	-0.38	74.5	25.9
China Constr Bk	Hong Kong	Banks	176.3	6.09	-0.33	29.6	36.2

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
CNOOC Hong Kong (Exploration Production)	72.5	12.60	2.27%	51.3%	83.9%
JFE Hldgs Japan (Iron Steel)	20.8	3,655	2.24	52.6	-47.6
Sony Japan (Consumer Electronics)	38.1	3,545	2.16	59.3	-40.8
Cheung Kong Hong Kong (Real Estate Holding Development)	29.8	100.00	2.15	41.8	1.1
Mitsubishi UFJ Finl Japan (Banks)	72.0	480.00	1.91	-8.9	-63.9
Canon Japan (Electronic Office Equipment)	56.8	4,265	1.91	41.2	-32.6
China Life Ins Hong Kong (Life Insurance)	34.7	36.15	1.69	38.2	61.0
Westfield Grp Australia (Retail REITs)	25.2	12.07	1.60	17.2	-41.0
Nippon T&T Japan (Fixed Line Telecommunications)	55.7	3,905	1.56	0.6	-37.3
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	39.1	118.40	1.54	62.3	31.0
Hutchison Whampoa Hong Kong (Diversified Industrials)	31.9	58.10	1.48	39.2	-22.7
Toyota Motor Japan (Automobiles)	127.7	3,760	1.48	15.3	-50.2
Shinhan Financial Grp South Korea (Banks)	18.3	44,000	1.38	64.8	-15.7
NTT DoCoMo Japan (Mobile Telecommunications)	64.2	142,600	1.28	1.6	-34.6
Mitsui Japan (Industrial Suppliers)	30.3	1,549	1.18	47.7	-29.6
Nissan Motor Japan (Automobiles)	34.1	777.00	1.17	98.7	-38.5
Nippon Steel Japan (Iron Steel)	24.0	354.00	1.14	24.2	-57.3
KB Fncl Group South Korea (Banks)	18.0	53,400	1.14	51.7	-34.9
POSCO South Korea (Iron Steel)	35.7	536,000	1.13	40.3	35.7
Tokyo Elec Power Japan (Conventional Electricity)	35.9	2,462	1.11	-2.1	-38.9

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
KDDI Japan (Mobile Telecommunications)	22.7	476,500	1.06%	-2.4%	-49.4%
QBE Ins Grp Australia (Reinsurance)	19.7	21.23	0.90	7.6	-32.7
Sumitomo Mitsui Finl Japan (Banks)	43.7	2,978	0.88	-22.5	-72.2
China Mobile (HK) Hong Kong (Mobile Telecommunications)	192.0	74.95	0.87	7.6	5.5
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	50.3	62.00	0.81	20.1	-7.3
Kansai Elec Power Japan (Conventional Electricity)	20.8	2,134	0.80	-1.4	-37.1
Indl Comm Bk China Hong Kong (Banks)	61.0	5.70	0.71	36.0	30.1
Westpac Bking Australia (Banks)	73.6	27.98	0.68	46.2	6.2
Mitsubishi Japan (Industrial Suppliers)	41.8	2,361	0.68	70.1	-13.7
Mizuho Financial Grp Japan (Banks)	29.6	195.00	0.52	-9.7	-74.3
Nintendo Japan (Toys)	44.4	32,150	0.47	7.9	-6.1
Aus NZ Bk Australia (Banks)	58.3	25.45	0.39	53.8	-14.3
Commonwlth Bk of Aus Australia (Banks)	79.6	57.37	0.30	63.9	14.2
National Australia Bk Australia (Banks)	52.9	27.59	0.29	30.8	-31.7
Takeda Pharm Japan (Pharmaceuticals)	36.2	4,255	0.24	17.9	-45.0
Woolworths Australia (Food Retailers Wholesalers)	31.8	28.63	0.21	12.3	5.3
East Japan Railway Japan (Travel Tourism)	26.5	6,200	0.16	15.5	-32.5
Samsung Elec South Korea (Semiconductors)	106.1	820,000	0.12	40.4	45.7
BHP Billiton Australia (General Mining)	131.2	43.28	-0.09	27.3	44.8
Honda Motor Japan (Automobiles)	64.4	3,265	-0.31	32.5	-20.6

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.10%	1.49%	0.5%	0.4%	5.9%
Event Driven	0.38	2.46	2.5	2.3	15.8
Equity Long/Short	0.18	2.69	2.9	3.2	8.6

*Estimates as of 03/25/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 13/1	0.79	101.04%	0.01%	0.85	0.78	0.80
Eur. High Volatility: 13/1	1.18	99.14	0.01	1.28	1.17	1.21
Europe Crossover: 13/1	4.34	102.76	0.05	4.68	4.31	4.46
Asia ex-Japan IG: 13/1	0.98	100.10	0.01	1.05	0.97	1.00
Japan: 13/1	1.20	98.99	0.01	1.22	1.18	1.20

Note: Data as of March 25

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Promise	636	-11	-19	-110
Sanyo Shinpan Fin	637	-7	-14	-111
Nomura Secs	120	-7	-5	-40
Taiheiyo Cem	475	-5	-7	-71
Nomura Hldgs	179	-5	-4	-38
Mitsubishi	42	-3	1	-19
Citigroup Japan Hldgs	127	-2	1	-33
Kubota	32	-1	...	-12
Komatsu	32	-1	...	-12
East Japan Rwy	27	-1	1	-11

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Fuji Heavy Inds	113	3	...	-32
Aeon	127	3	...	-55
Mizuho Corporate Bk	98	3	6	-25
Ptt Pub	95	4	5	-13
Cen Japan Rwy	35	4	4	-6
Bk of Tokyo Mitsubishi UFJ	72	5	7	-13
Nec Electrs	195	5	1	-24
Sumitomo Mitsui Bkg	76	5	9	-11
Toshiba	129	7	4	-41
Taisei	252	9	23	-99

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Asia (ex Japan)

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
UBS	$52	4.1%	74%	11%	14%	...
Goldman Sachs	51	4.0	66	15	19	...
Morgan Stanley	50	3.9	55	7	37	...
China Merchants Securities Co Ltd	50	3.9	94	5	...	1%
Ping An Securities Co Ltd	46	3.6	96	3	1	...
Bank of China Ltd	45	3.5	67	23	3	6
Deutsche Bank	44	3.5	69	15	16	1
China International Capital Corp Ltd	40	3.2	87	5	8	...
Credit Suisse	39	3.1	54	28	17	1

Source: Dealogic

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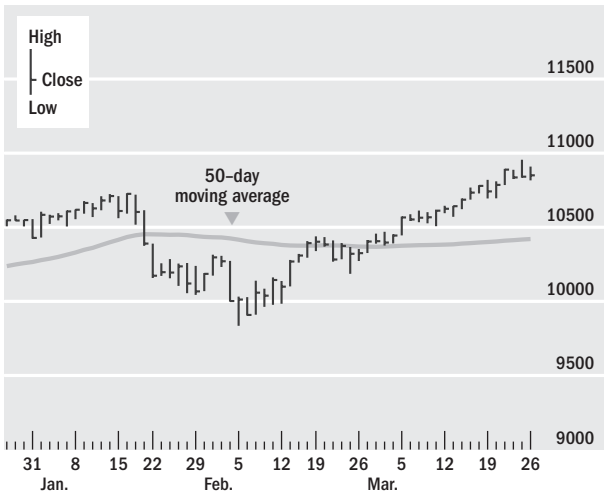
SCANNING THE GLOBE

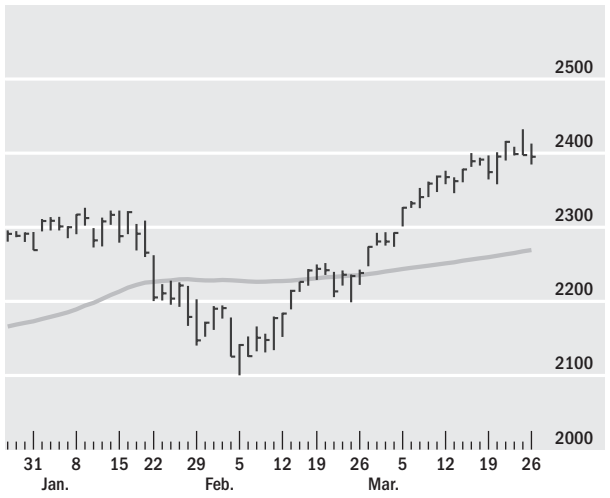
Dow Jones Industrial Average P/E: 17

LAST: **10850.36** ▲ 9.15, or 0.08%
YEAR TO DATE: ▲ **422.31, or 4.0%**
OVER 52 WEEKS ▲ **3,074.18, or 39.5%**



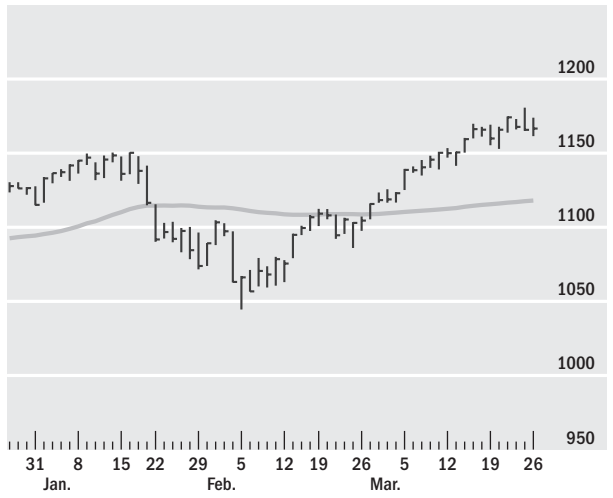
Nasdaq Composite Index P/E: 17*

LAST: **2395.13** ▼ 2.28, or 0.10%
YEAR TO DATE: ▲ **125.98, or 5.6%**
OVER 52 WEEKS ▲ **849.93, or 55.0%**



S&P 500 Index P/E: 23

LAST: **1166.59** ▲ 0.86, or 0.07%
YEAR TO DATE: ▲ **51.49, or 4.6%**
OVER 52 WEEKS ▲ **350.65, or 43.0%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**16.20**	$26.24	0.09	**0.34%**
Alcoa	AA	**31.30**	14.27	0.16	**1.13**
AmExpress	AXP	**6.40**	41.12	-0.30	**-0.72**
BankAm	BAC	**213.10**	17.90	0.16	**0.90**
Boeing	BA	**4.60**	72.59	0.10	**0.14**
Caterpillar	CAT	**7.70**	62.44	0.30	**0.48**
Chevron	CVX	**9.70**	74.43	0.63	**0.85**
CiscoSys	CSCO	**32.70**	26.47	0.04	**0.15**
CocaCola	KO	**7.60**	54.65	-0.15	**-0.27**
Disney	DIS	**21.40**	35.31	0.22	**0.63**
DuPont	DD	**11.70**	37.69	-0.14	**-0.37**
ExxonMobil	XOM	**27.70**	66.54	0.24	**0.36**
GenElec	GE	**81.60**	18.34	0.04	**0.22**
HewlettPk	HPQ	**13.10**	53.42	-0.08	**-0.15**
HomeDpt	HD	**11.90**	32.75	0.13	**0.40**
Intel	INTC	**43.60**	22.24	-0.11	**-0.49**
IBM	IBM	**5.10**	129.26	0.02	**0.02**
JPMorgChas	JPM	**36.80**	45.02	0.08	**0.18**
JohnsJohns	JNJ	**7.90**	64.38	-0.19	**-0.29**
KftFoods	KFT	**16.60**	30.63	-0.17	**-0.55**
McDonalds	MCD	**5.70**	67.26	0.36	**0.54**
Merck	MRK	**12.00**	37.43	-0.35	**-0.93**
Microsoft	MSFT	**51.10**	29.66	-0.35	**-1.17**
Pfizer	PFE	**50.20**	17.14	-0.25	**-1.44**
ProctGamb	PG	**9.10**	63.69	0.07	**0.11**
3M	MMM	**3.70**	81.00	0.07	**0.09**
TravelersCos	TRV	**3.20**	54.35	0.27	**0.50**
UnitedTech	UTX	**4.40**	73.62	0.35	**0.48**
Verizon	VZ	**11.30**	30.37	0.06	**0.20**
WalMart	WMT	**9.10**	55.51	-0.10	**-0.18**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**585.4**	$4.31	$0.04	**0.94%**
BankAm	BAC	**220.8**	17.90	0.16	**0.90**
SPDR S&P 500	SPY	**205.6**	116.58	–0.07	**–0.06**
SPDR FnclSelSct	XLF	**177.9**	16.00	0.02	**0.13**
SiriusXM	SIRI	**169.0**	0.86	–0.01	**–1.51**
Flagstar	FBC	**125.1**	0.57	–0.15	**–20.83**
DrxFinancBear 3x	FAZ	**95.0**	13.35	–0.04	**–0.32**
GenElec	GE	**84.3**	18.34	0.04	**0.22**
PwrShrs QQQ	QQQQ	**78.0**	48.00	0.05	**0.10**
iShrMSCIEmrgMkt	EEM	**69.8**	41.10	0.20	**0.49**
FordMotor	F	**60.2**	13.86	0.06	**0.43**
OracleCp	ORCL	**58.5**	25.69	–0.35	**–1.34**
iShrRu2000	IWM	**58.1**	67.81	–0.03	**–0.04**
Microsoft	MSFT	**55.6**	29.66	–0.35	**–1.17**
Pfizer	PFE	**53.9**	17.14	–0.25	**–1.44**

Biggest gainers...

ARCA biophrm	ABIO	**49,607.2**	$8.22	$5.57	**210.19%**
Engex	EGX	**5.9**	4.15	0.60	**17.01**
inVentivHlth	VTIV	**2,366.4**	20.06	2.91	**16.97**
WaterstoneFinl	WSBF	**78.3**	3.70	0.52	**16.35**
FinishLine	FINL	**4,425.0**	16.98	2.32	**15.83**

...Biggest losers

KV Pharm A	KVA	**2,722.0**	$2.11	-$0.70	**-24.91%**
ATC Tch	ATAC	**1,313.9**	18.02	-5.55	**-23.55**
KV Pharm B	KVB	**50.9**	2.32	-0.65	**-21.89**
AmApparel	APP	**1,849.9**	3.17	-0.67	**-17.45**
AmbacFnl 5.875	AKT	**223.1**	4.90	-0.82	**-14.34**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$8.31	**Taiwan Semi**	TSM	**12,167.3**	$10.36	-0.06	**-0.58%**
15.95	9.58	**China Unicom**	CHU	**7,414.7**	11.13	0.16	**1.46**
82.74	42.33	**BHP Billiton**	BHP	**3,255.7**	78.59	0.83	**1.07**
4.24	2.28	**Utd Microelectronics**	UMC	**3,076.0**	3.58	-0.03	**-0.83**
18.64	14.82	**SK Telecom**	SKM	**2,279.0**	17.40	-0.17	**-0.97**
8.19	5.63	**Siliconware Prec Ind**	SPIL	**2,109.6**	5.99	0.15	**2.57**
13.30	7.91	**AU Optrncs**	AUO	**1,994.6**	11.31	0.01	**0.09**
6.84	4.79	**Mitsu UFJ Fnl**	MTU	**1,716.4**	5.16	0.06	**1.18**
59.22	42.00	**China Mobile**	CHL	**1,395.5**	48.04	0.25	**0.52**
62.37	25.25	**Infosys Tech**	INFY	**1,090.5**	60.92	-0.72	**-1.17**
5.23	2.36	**Adv Semi Engrg**	ASX	**886.9**	4.41	-0.07	**-1.56**
34.27	14.19	**Aluminum Cp of China**	ACH	**879.4**	25.20	0.09	**0.36**
91.97	63.00	**Toyota Motor**	TM	**755.3**	80.75	0.42	**0.52**
18.20	8.88	**Korea Elec Pwr**	KEP	**744.8**	16.02	-0.19	**-1.17**
40.45	20.49	**Sony**	SNE	**639.5**	38.22	0.56	**1.49**
81.00	47.60	**China Life Ins**	LFC	**602.3**	70.24	1.85	**2.71**
25.65	6.85	**Yanzhou Coal Mining**	YZC	**552.2**	22.87	1.47	**6.87**
20.49	16.87	**ChunghwaTel**	CHT	**545.4**	19.02	0.02	**0.11**
24.09	18.18	**NTT**	NTT	**515.0**	20.90	-0.02	**-0.10**
94.00	59.20	**China Petro & Chem**	SNP	**503.5**	82.34	2.95	**3.72**
9.82	6.24	**Telecom Corp of NZ**	NZT	**497.8**	7.47	-0.04	**-0.53**
150.50	64.01	**POSCO**	PKX	**481.4**	116.74	1.58	**1.37**
9.50	5.01	**Nomura Hldgs**	NMR	**466.3**	7.34	0.14	**1.94**
135.92	78.11	**PetroChina**	PTR	**407.9**	112.46	0.68	**0.61**
5.93	1.78	**SemiMfgInt**	SMI	**373.2**	5.93	0.26	**4.59**
21.78	12.96	**KT Corp**	KT	**365.1**	20.94	0.24	**1.16**
16.40	2.00	**City Telecom**	CTEL	**355.0**	15.66	0.23	**1.49**
37.23	23.16	**Honda Motor**	HMC	**305.5**	35.24	-0.24	**-0.68**
171.59	97.77	**CNOOC**	CEO	**271.2**	162.93	5.54	**3.52**
41.87	24.50	**Telekom Indonesia**	TLK	**258.4**	35.18	-0.42	**-1.18**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

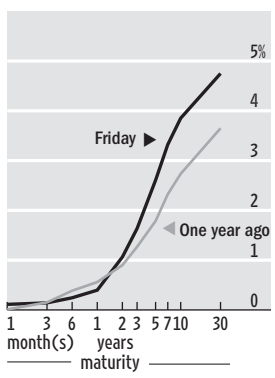
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.930%**	**387.8**	389.7	383.2	**232.5**	**4.980%**	4.670%	**3.246%**
4.500	10	**5.730**	**187.9**	189.8	196.6	**197.6**	**5.760**	5.655	**4.721**
5.000	**Austria** 2	**1.208**	**15.6**	14.6	54.3	**27.1**	**1.229**	1.381	**1.192**
3.900	10	**3.532**	**-31.9**	-32.2	-7.0	**130.6**	**3.540**	3.619	**4.051**
2.000	**Belgium** 2	**1.148**	**9.6**	7.0	34.0	**106.9**	**1.153**	1.178	**1.990**
3.750	10	**3.622**	**-22.9**	-23.7	2.1	**126.5**	**3.625**	3.710	**4.010**
1.500	**Canada** 2	**1.688**	**63.6**	63.9	34.3	**25.8**	**1.722**	1.181	**1.179**
3.750	10	**3.557**	**-29.4**	-26.8	-25.7	**15.1**	**3.594**	3.432	**2.896**
4.000	**Denmark** 2	**1.604**	**55.2**	54.5	89.2	**105.6**	**1.628**	1.730	**1.977**
4.000	10	**3.444**	**-40.7**	-44.2	-21.1	**79.4**	**3.420**	3.478	**3.539**
3.750	**France** 2	**0.921**	**-13.1**	-17.9	19.9	**56.6**	**0.904**	1.037	**1.487**
3.500	10	**3.480**	**-37.1**	-38.8	-23.0	**91.5**	**3.474**	3.459	**3.660**
1.250	**Germany** 2	**0.899**	**-15.3**	-18.1	10.2	**50.7**	**0.902**	0.940	**1.428**
3.250	10	**3.158**	**-69.3**	-73.2	-49.2	**40.2**	**3.130**	3.197	**3.147**
0.640	**Hong Kong** 2	**0.761**	**-29.1**	-23.7	-15.0	**-3.9**	**0.846**	0.688	**0.882**
2.160	10	**2.808**	**-104.3**	-95.9	-70.1	**-67.6**	**2.903**	2.988	**2.069**
5.000	**Italy** 2	**1.327**	**27.5**	22.5	65.0	**113.5**	**1.308**	1.488	**2.056**
4.250	10	**3.919**	**6.8**	5.9	33.7	**162.9**	**3.921**	4.026	**4.374**
0.200	**Japan** 2	**0.168**	**-88.4**	-89.4	-67.8	**-50.6**	**0.189**	0.160	**0.415**
1.400	10	**1.385**	**-246.6**	-249.2	-235.1	**-142.9**	**1.370**	1.338	**1.316**
2.500	**Netherlands** 2	**0.936**	**-11.6**	-14.5	16.0	**67.8**	**0.938**	0.998	**1.599**
3.500	10	**3.401**	**-45.0**	-47.4	-21.9	**105.5**	**3.388**	3.470	**3.800**
5.000	**Portugal** 2	**1.707**	**65.5**	80.5	61.0	**131.1**	**1.888**	1.448	**2.232**
4.800	10	**4.332**	**48.1**	53.7	88.6	**184.1**	**4.399**	4.575	**4.586**
5.350	**Spain** 2	**1.130**	**7.8**	10.1	46.6	**105.9**	**1.184**	1.304	**1.980**
4.000	10	**3.834**	**-1.7**	-1.0	24.7	**136.7**	**3.852**	3.936	**4.112**
2.750	**Switzerland** 2	**0.473**	**-57.9**	-60.4	-37.3	**-42.6**	**0.479**	0.465	**0.495**
2.250	10	**1.929**	**-192.2**	-194.3	-173.3	**-51.0**	**1.919**	1.956	**2.235**
3.250	**U.K.** 2	**1.008**	**-4.4**	-10.7	22.6	**35.3**	**0.976**	1.064	**1.274**
3.750	10	**4.035**	**18.4**	15.4	49.5	**56.2**	**4.016**	4.184	**3.307**
1.000	**U.S.** 2	**1.052**	**...**	...	...	**...**	**1.083**	0.838	**0.921**
3.625	10	**3.851**	**...**	...	...	**...**	**3.862**	3.689	**2.745**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.749%**	15.89	–3.10 %	–0.79 %	–0.79 %	–12.94 %
10-year Treasury	**3.852**	8.19	–1.84	0.77	0.77	–5.50
7 Year Treasury	**3.323**	6.21	–1.39	1.56	1.56	–1.24
Five-year Treasury	**2.607**	4.67	–1.14	1.22	1.22	0.25
Ryan Index	**2.872**	6.64	–1.42	0.72	0.72	–2.57
3 Year Treasury	**1.635**	2.90	–0.66	0.90	0.90	2.19
Two-year Treasury	**1.063**	1.98	–0.41	0.58	0.58	1.70
1 Year Treasury	**0.397**	0.95	–0.04	0.21	0.21	1.12
Six-month Treasury	**0.244**	0.50	...	0.05	0.05	0.49
Ryan Cash Index-a	**0.223**	0.44	–0.01	0.07	0.07	0.50
Three-month bill	**0.142**	0.25	0.01	0.03	0.03	0.28
One-month bill	**0.112**	0.07	0.01	0.01	0.01	0.10

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	2.50
Japan	**1.475**	1.475
Britain	**0.50**	0.50
ECB	**1.00**	1.50
Switzerland	**0.52**	0.52
Australia	**4.00**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.24688%**	0.51813%
Three month	**0.28875**	1.22000
Six month	**0.43938**	1.76250
One year	**0.90969**	2.01000

	Latest	52 wks ago
Euro Libor		
One month	**0.36625%**	1.14375%
Three month	**0.58063**	1.52500
Six month	**0.89625**	1.69500
One year	**1.19000**	1.84625
Hibor		
One month	**0.08893**	0.30357%
Three month	**0.13893**	0.88214
Six month	**0.24000**	1.18071
One year	**0.57929**	1.55143
Asian dollars		
One month	**0.2516%**	0.53%
Three month	**0.2876**	1.2270
Six month	**0.4270**	1.7780
One year	**0.8960**	2.0280

	Offer	Bid
Eurodollars		
One month	**0.3100%**	0.2100%
Three month	**0.3700**	0.2300
Six month	**0.5500**	0.3500
One year	**0.9500**	0.6500

	Latest	52 wks ago
U.S. discount	**0.75%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.25%**	0.18%
U.K. (BBA)	**0.507**	0.535
Euro zone	**0.29**	0.96

Sources: WSJ Market Data Group; Reuters

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	356.25	1.25	0.35%	714.00	325.00
Soybeans (cents/bu.)	CBOT	952.00	9.50	1.01	1,087.50	819.75
Wheat (cents/bu.)	CBOT	464.75	-1.75	-0.38%	745.00	464.00
Live cattle (cents/lb.)	CME	91.575	-0.550	-0.60	96.300	83.075
Cocoa ($/ton)	ICE-US	2,854	34	1.21	3,514	2,066
Coffee (cents/lb.)	ICE-US	135.85	-1.15	-0.84	190.40	118.30
Sugar (cents/lb.)	ICE-US	17.00	-0.05	-0.29	29.00	11.90
Cotton (cents/lb.)	ICE-US	79.69	-0.49	-0.61	94.00	51.38
Crude palm oil (ringgit/ton)	MDEX	2,565.00	-34	-1.31	3,600	1,486
Cocoa (pounds/ton)	LIFFE	2,216	18	0.82	2,356	1,475
Robusta coffee ($/ton)	LIFFE	1,339	-3	-0.22	1,605	1,212
Copper (cents/lb.)	COMEX	340.30	2.25	0.67	355.00	140.00
Gold ($/troy oz.)	COMEX	1105.40	11.30	1.03	1,230.00	532.00
Silver (cents/troy oz.)	COMEX	1690.60	16.50	0.99	1,949.50	916.00
Aluminum ($/ton)	LME	2,228.00	21.00	0.95	2,356.50	1,376.00
Tin ($/ton)	LME	17,750.00	200.00	1.14	18,250.00	10,150.00
Copper ($/ton)	LME	7,530.00	152.00	2.06	7,695.00	3,925.00
Lead ($/ton)	LME	2,115.00	62.50	3.05	2,615.00	1,247.00
Zinc ($/ton)	LME	2,265.00	25.00	1.12	2,659.00	1,292.00
Nickel ($/ton)	LME	23,600	930	4.10	23,600	9,475
Crude oil ($/bbl.)	NYMEX	80.00	-0.53	-0.66	132.95	52.95
Heating oil ($/gal.)	NYMEX	2.0813	-0.0011	-0.05	3.4240	1.3933
RBOB gasoline ($/gal.)	NYMEX	2.2085	-0.0114	-0.51	3.1200	1.4650
Natural gas ($/mmBtu)	NYMEX	3.930	-0.099	-2.46	10.430	3.989
Brent crude ($/bbl.)	ICE-EU	79.73	-0.37	-0.46	147.38	50.55
Gas oil ($/ton)	ICE-EU	660.75	-1.25	-0.19	691.50	512.75

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on March 26

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.1830	0.1929	3.8678	0.2585
Brazil real	2.4399	0.4099	1.8208	0.5492
Canada dollar	1.3778	0.7258	1.0282	0.9726
1-mo. forward	1.3779	0.7258	1.0282	0.9726
3-mos. forward	1.3780	0.7257	1.0283	0.9725
6-mos. forward	1.3789	0.7252	1.0290	0.9718
Chile peso	715.92	0.001397	534.25	0.001872
Colombia peso	2592.80	0.0003857	1934.85	0.0005168
Ecuador US dollar-f	1.3401	0.7462	1	1
Mexico peso-a	16.8032	0.0595	12.5393	0.0797
Peru sol	3.8031	0.2629	2.8380	0.3524
Uruguay peso-e	26.332	0.0380	19.650	0.0509
U.S. dollar	1.3401	0.7462	1	1
Venezuela bolivar	5.76	0.173761	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.4829	0.6743	1.1066	0.9037
China yuan	9.1485	0.1093	6.8270	0.1465
Hong Kong dollar	10.4021	0.0961	7.7625	0.1288
India rupee	60.5301	0.0165	45.1700	0.0221
Indonesia rupiah	12221	0.0000818	9120	0.0001097
Japan yen	124.04	0.008062	92.57	0.010803
1-mo. forward	124.02	0.008063	92.55	0.010805
3-mos. forward	123.97	0.008066	92.51	0.010809
6-mos. forward	123.87	0.008073	92.44	0.010818
Malaysia ringgit-c	4.4322	0.2256	3.3075	0.3023
New Zealand dollar	1.9035	0.5254	1.4205	0.7040
Pakistan rupee	112.363	0.0089	83.850	0.0119
Philippines peso	61.039	0.0164	45.550	0.0220
Singapore dollar	1.8808	0.5317	1.4036	0.7125
South Korea won	1526.32	0.0006552	1139.00	0.0008780
Taiwan dollar	42.715	0.02341	31.876	0.03137
Thailand baht	43.431	0.02303	32.410	0.03085

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7462	1.3401
1-mo. forward	1.0000	1.0000	0.7462	1.3400
3-mos. forward	1.0000	1.0000	0.7462	1.3400
6-mos. forward	1.0001	0.9999	0.7463	1.3400
Czech Rep. koruna-b	25.451	0.0393	18.993	0.0527
Denmark krone	7.4422	0.1344	5.5537	0.1801
Hungary forint	265.62	0.003765	198.22	0.005045
Norway krone	8.0885	0.1236	6.0360	0.1657
Poland zloty	3.9068	0.2560	2.9155	0.3430
Russia ruble-d	39.677	0.02520	29.609	0.03377
Sweden krona	9.7154	0.1029	7.2501	0.1379
Switzerland franc	1.4286	0.7000	1.0661	0.9380
1-mo. forward	1.4282	0.7002	1.0658	0.9383
3-mos. forward	1.4274	0.7006	1.0652	0.9388
6-mos. forward	1.4261	0.7012	1.0642	0.9396
Turkey lira	2.0629	0.4847	1.5395	0.6496
U.K. pound	0.8986	1.1128	0.6706	1.4913
1-mo. forward	0.8988	1.1126	0.6707	1.4910
3-mos. forward	0.8991	1.1122	0.6710	1.4904
6-mos. forward	0.8995	1.1117	0.6713	1.4897
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5052	1.9793	0.3770	2.6524
Egypt pound-a	7.3756	0.1356	5.5040	0.1817
Israel shekel	5.0078	0.1997	3.7370	0.2676
Jordan dinar	0.9494	1.0533	0.7085	1.4114
Kuwait dinar	0.3871	2.5834	0.2889	3.4619
Lebanon pound	2012.09	0.0004970	1501.50	0.0006660
Saudi Arabia riyal	5.0254	0.1990	3.7502	0.2667
South Africa rand	9.9771	0.1002	7.4453	0.1343
United Arab dirham	4.9221	0.2032	3.6731	0.2723
SDR -f	0.8852	1.1297	0.6606	1.5138

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
28	**ASIA-PACIFIC**	**DJ Asia-Pacific**	127.34	1.23	0.98%	3.5%	44.2%
...	Australia	**SPX/ASX 200**	4896.89	11.50	0.24	0.5	33.3
27	China	**CBN 600**	27316.31	377.11	1.40	-6.0	33.6
16	Hong Kong	**Hang Seng**	21053.11	274.56	1.32	-3.7	49.1
20	India	**Sensex**	17644.76	85.91	0.49	1.0	75.6
...	Indonesia	**Jakarta Composite**	2813.082	13.933	0.50	11.0	92.3
...	Japan	**Nikkei Stock Average**	10996.37	167.52	1.55	4.3	27.5
...		**Topix**	966.72	14.59	1.53	6.5	17.2
...	Malaysia	**Kuala Lumpur Composite**	1315.14	2.66	0.20	3.3	48.5
...	New Zealand	**NZSX-50**	3240.477	2.928	0.09	0.3	22.1
8	Pakistan	**KSE 100**	10137.93	10.90	0.11	8.0	48.5
14	Philippines	**Manila Composite**	3180.68	9.54	0.30	4.2	55.9
...	Singapore	**Straits Times**	2906.28	17.91	0.62	0.3	66.5
11	South Korea	**Kospi**	1697.72	9.33	0.55	0.9	37.2
20	Taiwan	**Weighted**	7876.86	38.76	0.49	-3.8	46.1
10	Thailand	**SET**	778.86	-5.52	-0.70%	6.0	76.7
...	**EUROPE**	**Stoxx Europe 600**	263.58	-1.21	-0.46	4.1	48.8
...		**Stoxx Europe 50**	2625.16	-15.46	-0.59	1.8	44.0
...	**Euro Zone**	**Euro Stoxx**	278.23	-0.33	-0.12%	1.3%	42.8%
13		**Euro Stoxx 50**	2940.94	-7.15	-0.24	-0.9	38.8
20	Denmark	**OMX Copenhagen**	359.72	-3.31	-0.91	13.9	68.3
22	Finland	**OMX Helsinki**	7360.46	-16.47	-0.22	14.0	56.3
17	France	**CAC-40**	3988.93	-11.55	-0.29	1.3	40.4
15	Germany	**DAX**	6120.05	-12.90	-0.21	2.7	45.6
13	Italy	**FTSE MIB**	23063.87	29.41	0.13%	-0.8	41.1
...	Netherlands	**AEX**	343.81	-1.80	-0.52	2.5	55.1
...	Russia	**RTSI**	1519.87	4.83	0.32	6.5	110.8
10	Spain	**IBEX 35**	11071.1	-20.3	-0.18	-7.3	39.7
16	Switzerland	**SMI**	6838.95	-55.22	-0.80	4.5	40.4
...	Turkey	**ISE National 100**	56610.66	-434.00	-0.76	7.2	120.3
14	U.K.	**FTSE 100**	5703.02	-24.63	-0.43	5.4	46.3
18	**AMERICAS**	**DJ Americas**	309.64	-0.16	-0.05	4.4	48.7
...	Brazil	**Bovespa**	68682.66	241.00	0.35	0.1	63.9
...	Argentina	**Merval**	2402.45	-7.49	-0.31	3.5	106.2
19	Mexico	**IPC**	33147.81	-16.52	-0.05	3.2	63.2

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.19%	19	**Global TSM**	2376.53	4.57	0.19%	2.5%	50.0%	-6.6%
1.92	19	**Global DOW**	2010.28	5.46	0.27	1.3	45.2	-3.3
2.43	15	**Global Titans 50**	172.56	-0.12	-0.07	-0.6	35.3	-8.9
2.18	25	**Asia/Pacific TSM**	1258.79	12.15	0.97	3.5	48.2	-4.8
2.42	15	**Asia/Pacific ex-Japan TSM**	3108.72	15.58	0.50	1.1	71.3	1.3
2.78	14	**Europe TSM**	2605.11	0.15	0.01	-2.7	51.2	-10.8
1.86	14	**Emerging Markets TSM**	4116.23	10.73	0.26	1.5	78.3	1.9
2.45	33	**Asian Titans 50**	138.89	0.96	0.70	3.4	40.9	-6.7
6.37	6	**BRIC 50**	582.93	1.37	0.23	-2.5	68.1	6.0
0.86	27	**CBN China 600** -c	27316.31	377.11	1.40	-6.0	33.6	7.2
2.35	18	**China Offshore 50**	3911.50	38.65	1.00	-4.1	38.6	6.8
0.89	30	**Shanghai** -c	369.84	5.38	1.48	-4.6	34.8	7.4

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
0.56%	46	**Shenzhen** -c	405.39	4.89	1.22%	-2.7%	50.3%	12.7%
1.84	22	**U.S. TSM**	12003.93	6.51	0.05	5.4	46.0	-6.1
4.83	14	**Global Select Div** -d	198.29	-0.26	-0.13	-1.8	72.4	-10.4
5.34	14	**Asia/Pacific Select Div** -d	272.96	0.14	0.05	1.6	83.5	-10.3
3.70	14	**Hong Kong Select Div** -d	195.21	-0.32	-0.16	4.2	57.5	1.3
4.23	15	**U.S. Select Dividend** -d	330.03	0.43	0.13	4.5	43.0	-13.4
1.80	15	**Islamic Market**	2006.29	0.39	0.02	1.6	43.5	-2.1
2.00	15	**Islamic Market 100**	2125.79	-3.56	-0.17	0.2	33.0	-2.6
2.60	17	**Islamic China/HK Titans 30**	1487.51	14.77	1.00	0.1	43.1	2.3
1.55	12	**Sustainability Korea**	1229.62	12.92	1.06	2.0	65.4	1.0
3.40	17	**Brookfield Infrastructure**	2022.55	-7.14	-0.35	-0.2	42.9	-4.8
		DJ-UBS Commodity -p	129.70	-0.10	-0.08	-6.8	17.7	-8.5

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.107	0.671	1.028	6.827	0.746	7.762	45.170	9119.93	92.565	1.420	1139.00	3.307	45.550	1.404	1.066	31.876	32.410
Australia	0.904		0.606	0.929	6.169	0.674	7.015	40.818	8241.22	83.646	1.284	1029.26	2.989	41.161	1.268	0.963	28.805	29.287
Britain	1.491	1.650		1.533	10.181	1.113	11.576	67.360	13600.09	138.038	2.118	1698.54	4.932	67.926	2.093	1.590	47.535	48.331
Canada	0.973	1.076	0.652		6.640	0.726	7.550	43.931	8869.80	90.026	1.381	1107.77	3.217	44.301	1.365	1.037	31.002	31.521
China	0.1465	0.162	0.098	0.151		0.109	1.137	6.616	1335.86	13.559	0.208	166.84	0.484	6.672	0.206	0.156	4.669	4.747
Euro	1.340	1.483	0.899	1.378	9.149		10.402	60.530	12221.16	124.042	1.903	1526.32	4.432	61.039	1.881	1.429	42.715	43.431
Hong Kong	0.129	0.143	0.086	0.132	0.879	0.096		5.819	1174.88	11.925	0.183	146.73	0.426	5.868	0.181	0.137	4.106	4.175
India	0.0221	0.0245	0.0148	0.0228	0.1511	0.0165	0.1718		201.90	2.0493	0.0314	25.22	0.0732	1.0084	0.0311	0.0236	0.7057	0.7175
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0009	0.0050		0.0101	0.0002	0.12	0.0004	0.0050	0.0002	0.0001	0.0035	0.0036
Japan	0.011	0.012	0.007	0.011	0.074	0.008	0.084	0.488	98.52		0.015	12.30	0.036	0.492	0.015	0.012	0.344	0.350
New Zealand	0.704	0.779	0.472	0.724	4.806	0.525	5.465	31.800	6420.43	65.166		801.86	2.328	32.067	0.988	0.751	22.441	22.817
South Korea	0.0009	0.0010	0.0006	0.0009	0.0060	0.0007	0.0068	0.0397	8.01	0.0813	0.0012		0.0029	0.0400	0.0012	0.0009	0.0280	0.0285
Malaysia	0.302	0.335	0.203	0.311	2.064	0.226	2.347	13.657	2757.35	27.986	0.429	344.37		13.772	0.424	0.322	9.637	9.799
Philippines	0.022	0.024	0.015	0.023	0.150	0.016	0.170	0.992	200.22	2.032	0.031	25.01	0.073		0.031	0.023	0.700	0.712
Singapore	0.712	0.788	0.478	0.733	4.864	0.532	5.531	32.183	6497.76	65.951	1.012	811.52	2.357	32.453		0.760	22.711	23.091
Switzerland	0.938	1.038	0.629	0.964	6.404	0.700	7.281	42.369	8554.48	86.826	1.332	1068.38	3.102	42.726	1.317		29.900	30.401
Taiwan	0.031	0.035	0.021	0.032	0.214	0.023	0.244	1.417	286.11	2.904	0.045	35.73	0.104	1.429	0.044	0.033		1.017
Thailand	0.031	0.034	0.021	0.032	0.211	0.023	0.240	1.394	281.39	2.856	0.044	35.14	0.102	1.405	0.043	0.033	0.984	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of March. 26, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	23	**ALL COUNTRY (AC) WORLD***	304.64	-0.08%	1.7%	62.8%
2.50	24	**World (Developed Markets)**	1,191.75	-0.12	2.0	58.7
1.80	83	**World Small Cap**	202.45	0.27	6.5	82.7
2.50	21	**Kokusai (World ex-Japan)**	1,178.68	-0.23	1.6	61.9
3.00	23	**EAFE**	1,567.06	-0.42	-0.9	57.1
2.20	20	**Emerging Markets (EM)**	989.95	0.21	0.0	98.3
2.50	23	**AC ASIA PACIFIC EX-JAPAN**	417.86	0.01	0.3	95.1
2.20	22	**AC Far East ex-Japan**	445.38	0.23	-1.0	85.2
1.70	145	**Japan**	595.87	0.04	4.8	27.6
2.00	19	**China**	62.12	-0.70	-4.2	71.4
0.90	37	**China A (China Domestic)**	3,098.84	-1.39	-8.4	51.9
2.60	23	**Hong Kong**	10,302.79	-0.91	1.2	64.3
0.90	20	**India**	716.71	0.57	1.4	110.8
1.30	16	**Korea**	479.05	0.45	-0.4	64.3
2.30	20	**Malaysia**	480.06	0.18	2.2	44.9
3.10	17	**Singapore**	1,597.28	-0.01	-1.7	78.3
2.70	234	**Taiwan**	279.80	0.31	-5.5	62.1
3.30	18	**Thailand**	327.83	-0.09	8.7	86.3
3.60	25	**Australia**	1,012.11	-0.08	1.1	46.7
5.00	16	**New Zealand**	84.24	0.34	-3.4	15.3
1.90	28	**US BROAD MARKET**	1,301.65	0.29	5.2	62.1
3.40	16	**EUROPE**	91.86	0.97	4.1	52.0

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Friday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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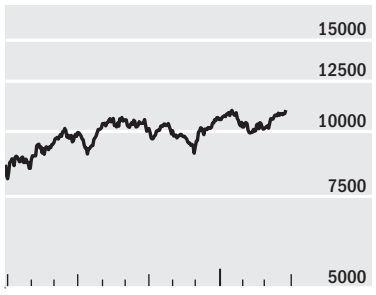
Asian index movers...

Nikkei Stock Average

Japan 10996.37

▲ **1.55% or 167.52**

The benchmark hit its highest close since October 2008, extending its rally into a seventh week, amid general relief over sovereign-debt problems in Europe.



Stock	Volume in millions	Change Close	Change Net	Change %
Mizuho Financial	**194.75**	195	1	0.52
Mtshbsh Fin Grp	**65.86**	480	9	1.91
Hitachi	**49.55**	332	9	2.79
Nisshin Steel	**47.78**	185	5	2.78
Clarion	**47.15**	211	4	1.93

CBN 600

China 27316.31

▲ **1.40% or 377.11**

Banks led the advance in China but it wasn't enough to halt another weekly decline, its third in four weeks. Bank of China rose 1.7% in Shanghai.

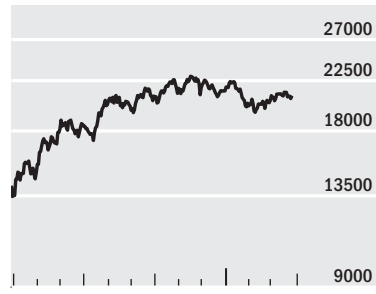
Stock	Volume in millions	Change Close	Change Net	Change %
Icbc	**164.80**	4.90	0.03	0.62
United Network	**135.36**	6.26	0.01	0.16
Hubei Kaile Tech	**115.54**	8.83	–0.08	–0.90
ChinaMinshengBkg	**103.99**	7.48	0.15	2.05
Constr Bank	**95.82**	5.58	0.07	1.27

Hang Seng

Hong Kong 21053.11

▲ **1.32% or 274.56**

The advance couldn't avert a 1.5% weekly loss, snapping a four-week winning streak. Trading is expected to remain in a tight range in the short term.



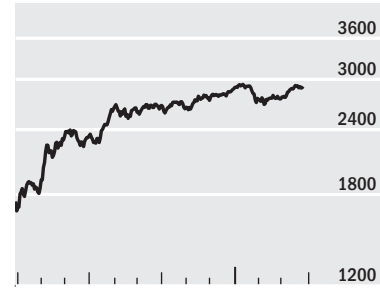
Stock	Volume in millions	Change Close	Change Net	Change %
CCB	**378.21**	6.09	–0.02	–0.33
Icbc	**378.07**	5.70	0.04	0.71
Bank Of China	**310.18**	3.99	0.04	1.01
PetroChina	**181.05**	8.75	–0.07	–0.79
ChinaPetroChem	**145.10**	6.38	0.15	2.41

Straits-Times

Singapore 2906.28

▲ **0.62% or 17.91**

Investors were betting on small and midcap stocks, which many traders said were playing catch-up with blue-chip stocks. There was bargain-hunting in commodities.



Stock	Volume in millions	Change Close	Change Net	Change %
Golden Agri	**37.93**	0.55	0.01	0.93
Genting Spore	**33.58**	0.92	–0.01	–0.54
Noble Grp	**19.56**	3.18	unch	...
Sing Telecom	**12.53**	3.20	0.02	0.63
CapitaLand	**11.84**	4.03	0.09	2.28

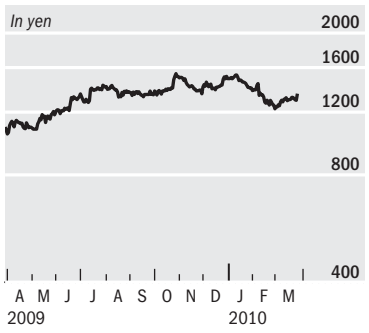
Asian stocks in the news

Kirin Hldgs

Japan ¥1,352

▲ **4.4% or ¥57**

With Suntory talks ended, the company's president said it would look for another promising ally.



	Price-to-earnings ratio	28
	Earnings per share, past four quarters	48.80
	Dividend yield	1.8

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Food & Beverage	**0.9%**	-1.3%	51.4%
Kirin Hldgs	**4.4%**	2.4%	24.0%

Bumi Res

Indonesia 2,350 rupiah

▲ **4.4% or 100 rupiah**

There was late buying by foreign funds in mining blue chips on hopes of strong 1st-quarter earnings.

	Price-to-earnings ratio	9
	Earnings per share, past four quarters	261.73
	Dividend yield	2.2

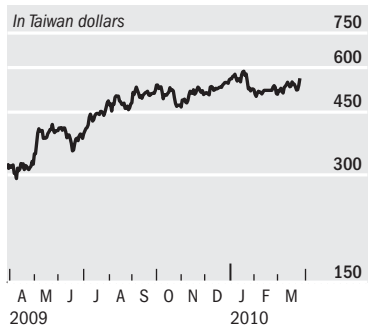
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**0.4%**	-1.2%	73.1%
Bumi Res	**4.4%**	-8.7%	179.8%

MediaTek

Taiwan TW$560.00

▲ **4.7% or TW$25.00**

Bargain-hunting left the chip designer as Taiwan's most actively traded stock by turnover.



	Price-to-earnings ratio	20
	Earnings per share, past four quarters	28.71
	Dividend yield	2.5

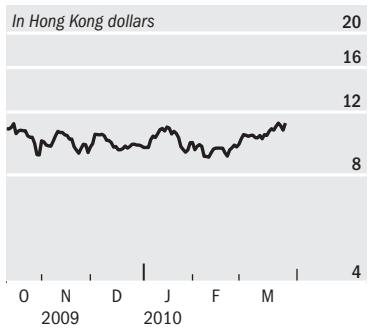
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**1.0%**	0.6%	61.5%
MediaTek	**4.7%**	3.9%	73.2%

Wynn Macau Ltd.

Hong Kong HK$11.18

▲ **4.7% or HK$0.50**

Shares recovered after falling a day earlier on a move by the government to limit casino growth.



	Price-to-earnings ratio	37
	Earnings per share, past four quarters	0.30
	Dividend yield	none

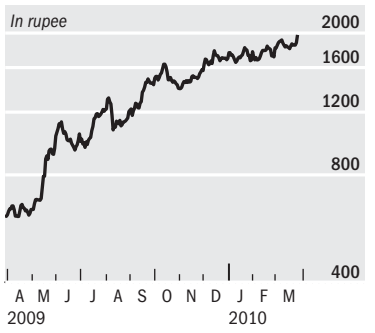
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure	**0.3%**	-0.9%	28.6%
Wynn Macau Ltd.	**4.7%**	4.7%	...

Bajaj Auto

India 1,976.60 rupee

▲ **5.2% or 97.05 rupee**

The maker of two-wheel vehicles said it will raise its capacity to 5 million units by March 2012.



	Price-to-earnings ratio	22
	Earnings per share, past four quarters	89.90
	Dividend yield	1.1

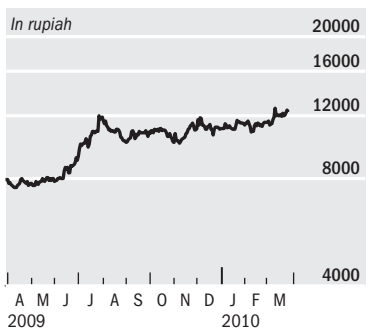
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**1.0%**	0.4%	49.7%
Bajaj Auto	**5.2%**	6.0%	221.0%

Unilever Indonesia

Indonesia 12,300 rupiah

▼ **1.2% or 150 rupiah**

Shares fell despite the company reporting a 26% rise in 2009 net profit on higher sales.



	Price-to-earnings ratio	36
	Earnings per share, past four quarters	345.84
	Dividend yield	2.6

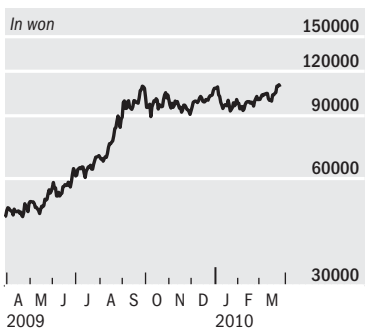
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**1.3%**	0.5%	43.1%
Unilever Indonesia	**-1.2%**	0.8%	54.7%

Samsung Elec-Mechanics

Korea 108,500 won

▼ **1.4% or 1,500 won**

Most technology shares finished lower in Seoul on profit-taking.



	Price-to-earnings ratio	42
	Earnings per share, past four quarters	2614.06
	Dividend yield	0.7

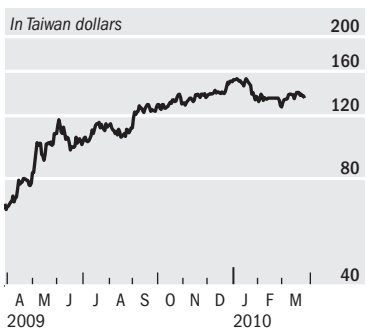
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.2%**	0.2%	59.4%
Samsung Elec-Mechanics	**-1.4%**	4.3%	131.6%

Hon Hai Precision Ind

Taiwan TW$134.50

▼ **1.5% or TW$2.00**

Investors shunned major technology shares, awaiting signs of stronger tech demand.



	Price-to-earnings ratio	20
	Earnings per share, past four quarters	6.65
	Dividend yield	0.7

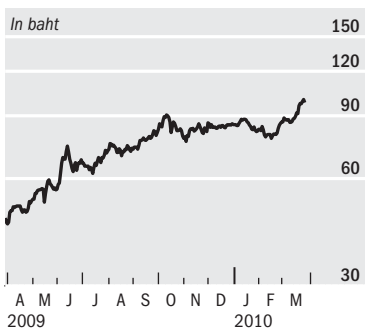
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.2%**	0.2%	59.4%
Hon Hai Precision Ind	**-1.5%**	-3.6%	97.8%

Kasikornbank

Thailand 98.0 baht

▼ **2.0% or 2.0 baht**

Shares slid after rival CIMB Thai Bank announced plans for rights and bond issues.



	Price-to-earnings ratio	16
	Earnings per share, past four quarters	6.22
	Dividend yield	2.6

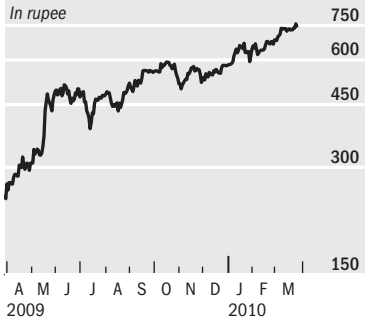
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**0.7%**	...	46.5%
Kasikornbank	**-2.0%**	2.1%	110.8%

Siemens India

India 740.40 rupee

▼ **2.3% or 17.50 rupee**

The company forecast a decline in total new orders in the second quarter.



	Price-to-earnings ratio	26
	Earnings per share, past four quarters	28.20
	Dividend yield	0.7

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.2%**	0.2%	59.4%
Siemens India	**-2.3%**	1.2%	195.6%

HEARD ON THE STREET

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The watering of China's growth

Sandstorms sweeping China have put the scarcity of water back in focus. While urbanites from Beijing to Hong Kong felt the effect of spreading desertification, parts of southwest China have struggled with drought for seven months.

Spending on water-related infrastructure is set to rise, and a few Hong Kong-listed companies could benefit.

Water shortages could fuel inflation short term if food prices get pushed up. But water supply is a serious medium-term problem. McKinsey estimates water demand will be 25% higher than supply by 2030. Regional disparities mean this supply-demand imbalance will be most acute in northern China.

All this means spending on water-related infrastructure is set to rise. Rising tariffs for water, already in evidence in several cities, raise the prospect of higher returns for water-related investment, too.

A few Hong Kong-listed companies are likely beneficiaries. **Beijing Enterprises Water**, a majority state-owned water-treatment firm, and **China Everbright International**, a more diversified company also active in this area, are two. DBS Group says such firms, with concessions from local governments to build and operate projects, are preferable to project construction businesses exposed to the rising cost of materials, without the upside of rising tariffs.

Both look expensive. Beijing Enterprises' one-year forward price/earnings ratio stands at 35 times; China Everbright's is at 25 times. But any pullback might offer the chance to bet on a strong trend in China.

—Andrew People

It may be time to shut the door on housing bailouts

The trick to a bailout is to keep it from being so generous that it turns into a giveaway or so timid that it flops. When it comes to housing, the government hasn't found that elusive sweet spot.

The $75 billion Home Affordable Modification Program, which sought to help three million to four million homeowners facing foreclosure, has resulted in only 168,708 permanent loan modifications in a year. That prompted an expanded foreclosure-prevention effort, including wider efforts to forgive loan principal.

One risk is that the government ultimately veers too far in the direction of forbearance, giving banks more reason to ignore losses and possibly causing homeowners to opportunistically default. That actually could prolong the housing slump.

Another is that the expanded assistance program could pack less punch than the administration hopes. After all, some principal forgiveness and refinancing options will depend on the willingness of lenders to take part.

The Treasury Department acknowledged in a statement announcing the new housing plan that it was walking a tightrope, saying the government "must balance the need to help responsible homeowners struggling to stay in their homes with the recognition that we cannot and should not help everyone."

That may be impossible. Keep in mind, the latest rescue plan follows unprecedented efforts to support housing. Besides the modification program, the government also has taken over Fannie Mae and Freddie Mac; created and prolonged a first-time home buyers' tax credit; and increased the role of the Federal Housing Administration, which in 2009 insured nearly 30% of single-family mortgages.

And the Federal Reserve has kept interest rates near zero while purchasing $1.25 trillion of mortgage-backed securities, bringing mortgage rates to historic lows.

For all this, the housing market still is badly wounded, even if prices have stabilized in some areas. Mortgage delinquencies have worsened for seven consecutive quarters, according to the Office of the Comptroller of the Currency, while delinquencies more than 90 days past due among prime borrowers increased 16.5% in the fourth quarter.

And despite the push to modify more mortgages, it still isn't clear such changes work. Nearly 60% of mortgages modified in the fourth quarter of 2008 redefaulted 12 months later, according to the OCC.

Wider use of principal forgiveness, as envisioned in the latest government plan, may have more success. But the real answer to housing woes ultimately may lie in actually allowing home prices to find a firm base by letting the market clear more naturally.

—David Reilly

Ctrl-alt-delete works, for now, at Google

Google has understandably won plaudits for its stance against Chinese censorship. But what happens if the search giant decides to take a similar position in a less controversial country like, say, Australia?

After all, Google co-founder Sergey Brin said last week that Google was concerned about a proposed Internet-filtering system in Australia, which it believes threatens Australians' Web freedom.

Mr. Brin apparently sees Google's China move as a signal to other countries. Google is highly unlikely to take such radical action in a country such as Australia. But investors need to remember that Google's decision to be an unconventional company has implications. Other moves, such as Google's book-digitization project, have an unclear payoff while highlighting a streak of idealism in its founders.

Mr. Brin and Larry Page's power to exert their will is entrenched by the super-voting stock they hold. As with many family-controlled media companies, investors are reliant on their judgment even if it drags down the commercial performance.

Of course, investors who buy into stocks with different share classes do so with their eyes open. In Google's case, the founders made great play of the company's business mission. And such an approach can be good for business in the long term. Google, for instance, likely has won customer loyalty and greater trust from users outside China for its battle against censorship.

With Google, investors mightn't care much about the ownership structure while the search market still is expanding. But search eventually will mature. Then, a stock discount to reflect the founders' control could become a reality.

—Martin Peers

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THE WALL STREET JOURNAL.

MANAGEMENT

Outsiders advise on executive pay

Boards tap consultants to bless compensation practices; critics complain companies are just buying good marks

By Joann S. Lublin

DuPont Co. has discovered a new formula for fending off shareholders who want a voice in how the chemical giant compensates its top bosses: Get an outside second opinion.

DuPont retained consultancy **Soundboard Review Services** LLC for a "fairness" judgment on how its directors set executive pay, according to a proxy statement filed by the company earlier this month. The advisory firm concluded those practices and processes are "sound," the proxy said. About a dozen other companies have recently hired the New York start-up to conduct similar reviews.

The DuPont review didn't cover the amount or type of pay afforded executives, however. And critics are concerned the DuPont board is just buying good marks. Still, it is part of a wider effort by directors and management to find fresh ways of offering shareholders more information to deflect rising public anger over sizable executive rewards. "I wish shareholders had a full appreciation for the hard work" the DuPont board does "in setting executive compensation," said Gregory P. Taxin, chairman of Soundboard.

Companies across the U.S. are grappling with increased shareholder requests for a bigger voice in executive pay. Resolutions that seek to give investors a nonbinding up or down vote on compensation packages came up at 79 companies last year, winning average support from about 46% of votes cast, according to **RiskMetrics Group** Inc.

Congress would require those "say on pay" votes at all companies under a Senate bill introduced March 15. A similar measure passed the House in December. Though results aren't binding, they can put pressure on boards to revamp practices.

Juliati Photography

Soundboard co-founders, left to right, William Coleman, Joshua Lurie and Gregory Taxin walk to a client meeting in White Plains, N.Y.

Mr. Taxin, a former chief executive of proxy advisers Glass, Lewis & Co., launched Soundboard last summer after he and co-founders concluded investors needed more information before deciding whether to back a say-on-pay resolution, how to vote if given a say on pay, or whether to re-elect directors involved in executive-pay decisions. He was joined by two ex-officials of Salary.com, a pay Web site.

Boards pay the firm upfront for a pay review that typically lasts several weeks and costs between $25,000 and $75,000. Clients decide whether to inform shareholders about the results.

At DuPont, Soundboard interviewed executives, directors and the board's pay consultant. It also scrutinized confidential documents, including meeting minutes for the board pay panel, management proposals to alter pay and executives' performance reviews. The review didn't cover the merits, amounts or types of pay awarded, the proxy noted. Instead, Soundboard looked at whether the board pursued an "appropriate and effective" process in making executive-pay decisions, the proxy said.

Mr. Taxin declined to say what weaknesses Soundboard uncovered in DuPont's pay practices, if any. Directors wouldn't hire Soundboard "if they felt any inadequacy or imperfection in their process was going to be revealed publicly before the board has a chance to fix it," Mr. Taxin explains. So far, Soundboard hasn't told other board clients that their executive-pay practices are terrible, either. Mr. Taxin says he isn't surprised because "nobody with crummy practices has come to us."

DuPont's good marks could prompt its shareholders to reject a say on pay resolution for a third straight year when it comes up at the company's April 28 annual meeting. Last year, the measure garnered 46.1% of votes cast.

In the proxy, DuPont directors call say on pay "a narrow, incomplete and ineffective means" for expressing shareholder concerns about executive compensation. Picking the right pay practices represents a complex task that the board compensation committee "is uniquely positioned" to handle, they added, citing the Soundboard review. "We will let the proxy stand for itself," said Lori Captain, a DuPont spokeswoman.

Certain institutional shareholders don't like the idea of boards tapping hired guns to bless their oversight of compensation. While investors hunger for a fuller picture of executive pay, an outside review "bought for a stamp of approval" becomes worthless, says Ann Yerger, executive director of the Council of Institutional Investors. The Washington group represents more than 130 pension funds with more than $3 trillion in assets.

The DuPont approach "is like paying a teacher for your good grades," contends Lisa Lindsley, director of capital strategies at the American Federation of State, County and Municipal Employees union. "It sounds like a poor use of shareholder resources."

Mr. Taxin replies that "having somebody point out weaknesses that can be corrected by the board is not a waste of shareholder money."

Other companies are taking different steps to invite outside input on compensation issues. Last year, **Prudential Financial** Inc. created a link on its Web site so investors could comment about its pay plans. The life insurer received fewer than 100 comments, recollects Margaret M. Foran, Prudential's chief governance officer. Among other things, the investor feedback helped persuade directors to alter incentive-pay programs—and hold a say-on-pay vote for the first time at the May 11 annual meeting. Investors overwhelmingly approved a 2009 resolution seeking that vote.

Prudential board members described such steps in a detailed letter to shareholders displayed at the front of the latest proxy. The letter, signed by each director, also urged investors to keep posting comments on the pay Web site so "we are better positioned to fulfill our obligations."

The Power List

The top business leaders in Asia making headlines last week in select global and regional media. Powered by Dow Jones Factiva and edited for relevance and clarity.

DAVID C. DRUMMOND

Chief Legal Officer
Google

Mr. Drummond said the Internet search giant's decision to redirect Chinese users to its uncensored Web search and news services is "entirely legal."

WANG XIAOCHU

Chairman, Chief Executive
China Telecom

China's largest fixed-line operator by subscribers plans to add new smart phones and increase capital spending as it tries to gain ground in the world's biggest mobile market.

TOM ALBANESE

Chief Executive
Rio Tinto

As four employees in China admitted during their bribery trial that they accepted money, Mr. Albanese expressed regret over a lost opportunity to deepen ties with Aluminum Corp. of China.

FRANK CHAPMAN

Chief Executive
BG Group

BG and China National Offshore Oil Corp. signed a 20-year sale-and-purchase agreement for liquefied natural gas from Queensland state, which Mr. Chapman said was a landmark development in the relationship between the two companies.

BILL GATES

Chairman
Microsoft

An energy start-up backed by Mr. Gates is in discussions with Toshiba on developing a small-scale nuclear reactor that would represent a long-term bet to make nuclear power safer and cheaper.

Photos: Associated Press (Drummond); European Pressphoto Agencey (Wang, Gates); Reuters (Albanese); Bloomberg News (Chapman)

Compiled by Carlos Tejada/ The Wall Street Journal

MANAGEMENT

Religare Macquarie's CEO eyes India's new rich

Talent, competition are key to rapid growth for wealth chief; market is opening up for HNIs to invest beyond U.S.

[Vikas Agnihotri]
Chief Executive

MANAGING IN ASIA

Vikas Agnihotri is scrambling to find the talent to help manage India's wealth. As chief executive of Religare Macquarie Private Wealth, Mr. Agnihotri knows finding experienced staff to compete in a growth industry with a burgeoning market is a losing battle. The ranks of India's high net-worth individuals are growing too fast. "HNIs," as private bankers like to call them—usually defined as having at least $1 million in investible assets—have jumped about 11% a year, every year over the last decade, outpacing growth in the broader economy, according to consultants Bain & Co., which estimates their current numbers at 115,000.

Other issues make private banking in India a challenge. Regulations can be tricky, target customers are spread across diverse geographies, and they can be reluctant to hand over the reins to their newly acquired wealth. Mr. Agnihotri oversees the joint venture formed in 2007 by Australian financial services giant Macquarie Group and its Indian counterpart Religare, controlled by former Ranbaxy-owner Malvinder Mohan Singh—himself one of India's richest men. Duncan Mavin talked to Mr. Agnihotri in Singapore, where the banker elaborated on what it takes to manage a private-wealth business in India, and his international joint-venture bosses. The following interview has been edited.

Religare Macquarie

WSJ: Is it tough having two, powerful joint-venture companies to report to?
Mr. Agnihotri: There is always a challenge. I have always had two bosses— my business and my wife. Now I have three. What is good about the joint venture bosses is they are giving me freedom within boundaries. Culturally, they have the same motivations and goals and commitment to the business.

WSJ: You've already hired 200 relationship managers. Now you are talking about 300 by the end of 2011. It sounds like a tall order to bring in that level of expertise.
Mr. Agnihotri: There's a dearth of talent. We've felt it more than anyone else because of the scale at which we are trying to hire. Prior to the financial crisis, anything you invested in would make phenomenal returns, so you had product pushers with limited knowledge.

Customers are more discerning now. We've developed a sound training platform, for wealth management and sales skills. We will not get people of experience but if we can get people with our values, we can train them and mold them because they are still youngsters.

WSJ: What are the key trends in India's private wealth management industry?
Mr. Agnihotri: There is a big group of newer rich that are asset rich but not necessarily cash rich, and they invest back into their businesses.

WSJ: What do you think Indian asset managers can learn from foreign firms?
Mr. Agnihotri: The key thing for us is the power of diversification as a concept that has come from Macquarie. We give advice across six asset classes including emerging markets and commodities, and that has been a big [lesson.]

The Indian market is also definitely opening up for HNIs to invest overseas, beyond U.S. equities and property.

WSJ: Religare has recently made waves outside India. Should we expect more of this from Indian financial services firms?
Mr. Agnihotri: Religare will make the country and the employees proud. The company is becoming a global player. I believe this is just the beginning. There are great opportunity for companies that are cash rich to look at some of the more developed countries. While we are all focusing on the growth countries, there could be tactical opportunities in developed countries.

WSJ: How do you think the joint-venture model in India will effect the current generation of Indian business leaders?
Mr. Agnihotri: For professionals, you need to be a global citizen, and you need to be open to different ways of thinking. It's like you're the conductor and you've got the parts of the orchestra to control. You've got to create the best music. Like fusion music.

WSJ: Foreign investors often cite red-tape and regulations as a barrier to the development of India's markets.
Mr. Agnihotri: Actually, it's a great advantage to India. It saved India from the crisis. People may say there are constraints. But foreign investors should be glad they are putting money into a country with a strong regulator.

Résumé

- **Career:** Highlights include commercial director at Deutsche Bank, sales director for consumer banking at Standard Chartered Bank.
- **Schooling**: Bachelor's degree from the University of Delhi, and a Master's in marketing from Sydenham Institute of Management Studies.
- **Extracurricular:** Squash – "It's quick. I can't see myself playing golf."
- **On India's regulators**: "The regulators understand the pulse of Indian citizens more than a foreigner would ever."
- **On joint ventures**: "There is always more than one solution to the same problem. An individual may not be able to think through the many options available."

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